

British Telecommunications plc
Annual Report and Financial Statements
Year ended 31 March 2026
Company number 1800000

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Corporate information

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Edward Heaton

Simon Lowth

Daniel Rider

Roger Eyre (resigned 14 April 2025)

Helen Charnley (appointed 14 April 2025)

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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 2026, 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 units (CFUs), technology units (TUs), and corporate functions (CFs). 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 CFUs focus on distinct segments – each with unique priorities and needs. Together, they aim to provide standout customer experiences through tailored solutions which generate revenue and build trust.

Our four CFUs are:

- **Consumer** serves individuals and households with connectivity products and services. We provide 8.2 million broadband and 15.7 million mobile connections to customers. We reach 13.1 million households, which is more than 45% of all UK homes.
- **Business** serves businesses of all sizes, other CPs and public sector organisations with connectivity and additional solutions like cyber security. We also support almost 1 million private and public sector organisations and over 1,200 wholesale customers.
- **International^a** serves multinational customers with products and platforms to address the challenges and opportunities of AI-driven change. We also operate two next-gen platforms, Global Voice and Global Fabric are designed to deliver secure, resilient communication and network services around the world to support customers' operations and growth.
- **Openreach** independently manages our fixed access network, connecting millions of UK homes, businesses, public sites and mobile towers. We lead the build of the UK's full fibre network, with 23 million premises passed. We operate the UK's largest wholesale broadband and Ethernet network, supplying network services to more than 700 CPs.

Technology units

Our TUs build, run and maintain our networks, platforms and digital assets – apart from the fixed access infrastructure which Openreach runs and commercialises. They modernise and secure our business through innovation and research & development (R&D).

Our two TUs are:

- **Digital** enables BT to meet customer and colleague needs by providing secure, sustainable IT and digital platforms on future proof technology.
- **Networks** designs, builds, runs and protects our mobile, core and global networks

Corporate functions

Our CFs operate at group level, setting direction and defining governance frameworks, ensuring we're aligned across our activities. They make us more efficient through centralised capabilities and shared services.

Our five CFs are:

- Finance and Business Services;
- Strategy and Change;
- People and Culture;
- Legal, Regulatory Affairs, Compliance and Company Secretariat; and
- Corporate Affairs and Brand.

^a BT International was launched in July 2025 as a dedicated operation within BT Group

Strategic report continued

Key performance indicators

We use thirteen operational and four financial KPIs to measure our success. Each of our KPIs measures how we're doing against our strategic pillars: Build; Connect; and Accelerate. We reconcile adjusted financial measures to the closest IFRS measure on page 139. Items presented as adjusted are stated before specific items. See page 139 for more information. We continuously monitor and evolve them to make sure they're the best measures.

Changes to our KPIs

This year we made the following changes to our reported operational KPIs to reflect the first full year reporting against our new strategy.

For Build we introduced:

- 'Number of Openreach FTTP premises passed'. This measures our progress rolling out full-fibre across the UK, in line with our ambition to reach up to 30 million premises.
- '5G+ population coverage'. This measures our progress delivering 5G+ connectivity across the UK, in line with our aim to cover 99% of the country in 2030.

For Connect we introduced:

- 'Customer time on service issues' for Business and Consumer units. This measures our progress in improving customer experience.
- 'Retail connections market share' for mobile and broadband. This measures our market position connecting UK customers.
- 'Converged broadband households'. This measures our progress meeting our broadband customers' broader connectivity needs.

And we removed:

- 'Total 5G connections'. 5G connectivity is now the standard for new devices, so our KPI moves to report 5G+.

For Accelerate, we introduced:

- 'Colleague engagement'. This measures our progress in becoming a more empowered and engaged organisation. We'll continue to check progress as we embed our new behaviours.
- 'TLR'. This measures our progress towards becoming a simpler and more agile BT.

Operational

Total Openreach FTTP connections

This is the number of UK premises connected to Openreach's full fibre network. Demand for full fibre is high, with 8.8m (FY25: 6.5m) premises now connected.

5G+ population coverage

This is the proportion of the UK population with access to our 5G+ mobile network. We aim to reach 99% of the UK population in 2030. In the year we continued boosting performance and resilience across our mobile network and expanded our 5G+ network to reach 72.5% of the population (FY25: 43.4%).

Number of Openreach FTTP premises passed

This is the number of UK premises with access to our FTTP broadband network. Rollout has continued at pace. 22.9m premises now have access (FY25: 18.1m). We're on track to get to 25 million by the end of 2026.

Total 5G connections (formerly reported)

This is the number of BT retail connections to the 5G network. There are 14.5m active BT retail connections, with our 5G network covering 90.5% of the UK population. 5G connectivity is now the standard for new devices, so our KPI moves to report 5G+.

BT Group Net Promoter Score (NPS)

This tracks changes in our customers' perceptions of BT Group since we launched the score in April 2016. It measures 'promoters' minus 'detractors' across our business units. BT Group NPS applies to our retail business^a and net satisfaction in our wholesale business. We're still focused on creating standout customer experiences, with our score up 4.1 points in FY26.

Business customer time on service issues

This is the total average time spent dealing with Business customer service issues. It includes inbound and outbound calls, chats and offline work. We've spent less time dealing with Business customer service issues. Average time fell to 61.1 minutes (FY25: 64.0) as part of our continued focus on creating standout customer experiences.

Consumer customer time on service issues

This is the total average time spent dealing with Consumer customer service issues. It includes inbound and outbound calls, chats and offline work. We've spent less time dealing with customer service issues by proactively fixing problems and improving self-serve capabilities as part of our continued focus on creating standout customer experiences. Average time spent fell to 23.0 minutes (FY25: 25.6 minutes).

Mobile retail connections market share^a

This is the BT, EE and Plusnet share (excluding wholesale) of the mobile market. We define that as total active SIMs, excluding machine-to-machine. This includes consumer and business voice (contract and prepaid) and mobile broadband plans (including tablets, dongles, watches and FWA). The UK mobile market had 87m active SIMs^b at the end of 2025. Since FY22, we've lost 2pp of base market share to an increasingly competitive value segment, driven by MVNOs and sub-brands. But in the last 12 months we've had base growth for BT. This has bounced our market share back to 23.2%

^a Includes our Consumer brands as well as our Business unit (excluding Wholesale)

^b An active customer is one that's generated revenue from an outgoing or incoming call, or from data or content services, in the past three months.

Strategic report continued

Key performance indicators continued

Broadband retail connections market share

This is the BT, EE and Plusnet share (excluding wholesale) of the broadband market, defined as homes and businesses on a fixed, wired network. This includes copper and fibre (FTTC/FTTP) but excludes fixed wireless access and satellite. The UK broadband market has been flat for the last four years with 28.6m active lines in FY26. There's been relatively slow new build growth and more businesses have closed than opened. BT Group's base market share increased 0.1pp this year, offset by more retail competition and recent easier switching.

Converged broadband households

This is Converged customers as a share of the broadband customer base. Converged broadband households grew to 41% (FY25: 38%) as part of our priority to bring customers the best connectivity products.

Colleague engagement

This is a measure of how well our people are aligned. It indicates how likely it is that they'll behave in ways that support our success (like discretionary effort). We measure it for BT overall and at Unit/Team levels. We're continuing to reshape ourselves to be more collaborative and have introduced new behaviours for our people. Engagement stayed constant at 76% (FY25: 76%).

Number of units on legacy networks

This is customers switched from legacy to new strategic network platforms, helping us switch off our old platforms. A 'unit' is a circuit within, or a connection to, our network. We've cut the number of legacy connections in our network to 1.9m (FY25: 4.2m) by switching customers to Digital Voice, 4/5G and fibre broadband.

Total labour resource (TLR)

This is the total number of people who work here, including sub-contractors. We've cut our TLR to 108k (FY25: 116k) as part of our ongoing drive for cost transformation and efficiency.

Percentage reduction in operational carbon emissions

This is our performance on our ambition to cut carbon emissions by 90% by the end of March 2031 compared to FY17 levels. It's based on an absolute cut in tonnes of CO₂e (carbon dioxide equivalent) in operational emissions (Scopes 1 and 2 greenhouse gas emissions). We've achieved a 61% reduction from our baseline year, FY17 (FY25^a: 51%).

Financial

Reported revenue

This is our revenue as reported in our income statement. Reported revenue was £19,654m (FY25: £20,358m). This was driven by lower International revenue including divestments, declines in handset trading and declines in adjusted UK service revenue.

Adjusted^b UK Service Revenue

Adjusted UK Service revenue comprises all UK revenue, less UK equipment revenue. We've included some revenue from equipment in adjusted UK service revenue where we've sold it as part of a managed services contract, or where the equipment can't be practicably separated from the underlying service. You can find a full definition on page 139. Adjusted^b UK Service Revenue for the year was £15,445m (FY25^c: £15,568m). This is down 1% mainly driven by lower voice volumes in Business and Consumer, offset by CPI-linked price increases and an improved broadband FTTP mix in Openreach.

Adjusted^b 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^b EBITDA was £8,229m (FY25: £8,203m), flat year-on-year with lower revenue offset by strong cost transformation and cost control; excluding divestments, like-for-like adjusted EBITDA was up 1%.

Reported capital expenditure^d

This measures additions to property, plant and equipment and intangible assets during the year. Reported capital expenditure was £5,127m (FY25: £4,857m). This was up 6% year-on-year reflecting higher FTTP provisioning and build activity.

^a Restated from 52% as presented in the FY25 Annual Report following review of our carbon emissions

^b We base financial metrics on adjusted measures, which exclude specific items, as defined in the 'Additional Information' section on pages 139 to 140.

^c FY25 comparative information has been re-presented for the adjustments set out in note 33 to the consolidated financial statements. The impact of these re-presentations on the Adjusted UK service revenue are included in the 'Additional Information' section on page 139.

^d Additions to property, plant and equipment and intangible assets in the period. See note 4 to the consolidated financial statements for a reconciliation.

Strategic report continued

Group performance

Summarised income statement (reported measures)

Year ended 31 March	2026 £m	2025 £m
Revenue	19,654	20,358
Operating costs	(11,845)	(12,894)
Depreciation and amortisation	(4,913)	(4,978)
Operating profit	2,896	2,486
Net finance expense	(602)	(417)
Share of post tax profit (loss) of associates and joint ventures	(210)	(8)
Profit before tax	2,084	2,061
Tax	(359)	(280)
Profit for the year	1,725	1,781

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 pages 139 to 140. The alternative performance measures we use may not be directly comparable with similarly titled measures used by other companies.

Revenue

Reported revenue was £19,654m (down 3%), and adjusted revenue was £19,646m (down 4%). This was mainly driven by lower International revenue (including the impact of divesting entities this year), reduced handset trading, and declines in adjusted UK service revenue.

Adjusted UK service revenue for the year was £15,445m (FY25: £15,568m). This is down 1% due to declines in voice in Business and Consumer and softer retail pricing, offset by CPI-linked price increases and an improving broadband FTTP mix in Openreach.

Operating costs

Reported operating costs (including depreciation and amortisation) were £16,758m, down 6% year on year. This was due to continued cost transformation including lower total labour resource primarily in Openreach, lower mobile equipment volumes and lower trading in International.

Specific items within operating costs were £466m (FY25: £772m) down 40%. This was due to restructuring charges of £336m (FY25: £448m) and lower impairment charges on our equity interests in the Sports Joint Venture (JV).

On an adjusted basis operating costs were £16,292m (down 5% year-on-year).

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

Note 6 to the consolidated financial statements shows a detailed breakdown of our operating costs. Note 9 shows a detailed breakdown of our specific items.

Operating profit

Reported operating profit was £2,896m (up 16% year-on-year). This was primarily due to strong cost transformation and lower specific items in FY26 compared to FY25, offset by lower revenue.

Adjusted^a EBITDA

Adjusted^a EBITDA of £8,229m flat year on year. Excluding divestments, like-for-like Adjusted EBITDA was up 1%, with strong cost transformation and cost control offsetting revenue flow through and higher National Insurance and National Living Wage costs.

Net finance expense

Net finance expense was £602m (up 44% year-on-year). This was primarily driven by lower interest income on intercompany loans, higher interest on tax charges and higher interest on newly issued bonds. Specific items within finance expense related to interest expense on our retirement benefit obligations of £191m (FY25: £197m).

On an adjusted basis, net finance expense was £411m (up 87% year-on-year).

Share of post-tax profit / (loss) of associates and joint ventures

Our share of post-tax losses from our joint ventures and associates was £210m (FY25: £8m loss). This was mainly due to the Group's share of impairment losses of £218m in the Sports JV (FY25: £nil) from revised expectations of its future performance and market position. We've recognised these impairment losses in FY26 as specific items.

On an adjusted basis, the share of post-tax profit of associates and joint ventures was £8m (FY25: £8m loss).

Profit before tax

Reported profit before tax of £2,084m was up 1%, This was primarily reflecting lower transformation costs, reduced depreciation and amortisation, and lower impairment charges and disposal-related costs, partially offset by write-downs on the Sports JV. These benefits were further offset by an increased net finance expense. On an adjusted basis profit before tax was £2,951m (down 3% year-on-year).

^a Items presented as adjusted are stated before specific items. See page 139 for more information.

Strategic report continued

Group performance continued

Taxation

The effective tax rate on reported profit was 17.2% (FY25: 13.6%). This is lower than the UK corporation tax rate of 25%, and is primarily due to the benefit of the UK patent box tax regime and group relief received for nil payment, offset by the non-deductible share of impairment loss in the Sports JV.

The effective tax rate on adjusted^a profit was 17.3% (FY25: 15.8%) primarily due to the UK patent box regime.

We made total corporation tax payments of £58m (FY25: £35m net corporation tax refund) comprising overseas tax payments. We expect a large proportion of our UK capital expenditure will be eligible for full expensing, which will reduce our current year UK tax liability.

Dividends

In FY26 dividend of £1,500m was paid to the parent company, BT Group Investments Limited (FY25: £780m).

Cash flow and liquidity

Capital expenditure

Capital expenditure was £5,127m, up 6% (FY25: £4,857m). This was driven by higher FTTP build and provision volumes in Openreach. It was partially offset by reduced spend across property programmes and IT delivery. Cash capital expenditure was £5,169m (up 5%). The difference to reported capital expenditure was due to the timing of capital creditor spend and government grant funding repayments.

Cash flow

Net cash inflow from operating activities was £7,026m, up 1% (FY25: £6,989m). This was driven by higher operating profit, with strong cost control offsetting lower revenues, improved net cashflow from working capital, offset by higher tax paid due to the absence of a prior year tax refund.

Pensions

The IAS 19 gross deficit has decreased to £4.2bn at 31 March 2026, net of tax £3.1bn (31 March 2025 £4.1bn net of tax £3.2bn). The increased deficit reflects updated assumptions on mortality and inflation and lower asset returns than expected partly offset by scheduled contributions over the year.

Balance sheet

	2026	2025
Year ended 31 March	£m	£m
Non-current assets	55,276	55,048
Current assets	7,108	8,375
Current liabilities	8,391	10,203
Total assets less current liabilities	53,993	53,220
Non-current liabilities	29,003	27,789
Total equity	24,990	25,431
Equity and non-current liabilities	53,993	53,220

Non-current assets at 31 March 2026 were £55,276m (FY25: £55,048m). This is an increase of £228m. Higher property, plant and equipment was offset by lower intangible assets, reflecting amortisation in the year, and a reduction in right-of-use assets.

Current assets at 31 March 2026 were £7,108m (FY25: £8,375m), of which £1,442m relate to trade receivables (FY25: £1,490m). The decrease of £1,267m was from lower investments, lower money market funds, and lower assets held for sale reflecting completion of the relevant divestments.

Current liabilities at 31 March 2026 were £8,391m (FY25: £10,203m), of which £3,825m related to trade payables (FY25: £3,727m). The decrease of £1,812m was mainly from the decrease of £1,672m in loans and other borrowings following refinancing during the year.

Non-current liabilities of £29,003m (FY25: £27,789m) increased by £1,214m. The increase was from higher loans and other borrowings, offset by lower lease liabilities.

Total equity decreased by £441m to £24,990m (FY25: £25,431m). Profits of £1,725m in the year were offset by remeasuring the net pension obligation and by dividends to shareholders of £1,500m.

^a Items presented as adjusted are stated before specific items. See page 139 for more information.

Strategic report continued

Our stakeholders

Our customers, colleagues, the country we do business in (including its communities, government and regulators), our owners, suppliers and partners are the key stakeholders we deliver for.

We engage with them at every level of our organisation, from frontline teams to senior leadership, the BT Group plc Executive Committee and the Board. This happens in lots of different ways – from meetings and conferences to reviews, forums, webcasts and events.

To understand how well we're connecting with different groups, the BT Group plc Board and its Committees receive regular updates from teams across the business – as well as hearing directly from stakeholders themselves.

These insights enable them to make better decisions, provide valuable feedback, and challenge our activities, programmes and initiatives to make sure we're on the right track.

Customers

Our customer base spans individuals and households, through small businesses to multinational corporations and public sector organisations.

Our aim is to help them live and work better. That starts with them getting outstanding experiences that build trust and loyalty. And to do that we must personally engage with them to understand their needs and priorities – today and in the future.

Our customers want us to:

- provide connectivity that works wherever they need it, balancing value for money with outstanding network performance and coverage
- deliver high-quality, seamless and personalised experiences
- protect them with enhanced safety and security wherever they go, keeping their data safe and safeguarding their families or customers from threats.

How we engage with customers

- Our colleagues in service, sales and our contact centres speak to customers every day to understand their needs, fix problems and keep them connected.
- Our insight team uses primary research and internal and external data to build a picture of what customers want and need from us.
- Our CFUs, the BT Group plc *Executive Committee* and the BT Group plc Board regularly review metrics such as NPS to monitor customer experience and brand loyalty.
- The Chief Executive, BT Group plc *Executive Committee* and senior leaders regularly review, understand and discuss customer complaints.
- Our Customer Fairness Panel, Customer Inclusion Panel, Security Advisory Board and Customer Advisory Board engage directly with customers to help us better understand their experiences.
- Openreach makes sure every CP has equal access to our fixed network through a transparent and compliant consultation process.

Highlights this year

- We've continued to raise awareness and make sure customers understand the simple steps needed to switch to Digital Voice. This year, we focused on supporting our most vulnerable customers with targeted outreach, home visits, and extra support for those using telecare services.
- We continue to share guidance on children's digital wellbeing, discouraging parents from giving primary school-aged children their own smartphones.
- EE became the first UK network to launch under-18 phone plans with restrictions and network content blocking to help keep young people safe online, along with extra tools and support for parents and young people.
- EE's 'everyone needs a squad' campaign used our home nations football partnership to promote the importance of group and team interactions in building esteem and positive health, particularly for teenage girls.

Colleagues

Our colleagues have once again been at the centre of lots of change this year. As we reshape BT Group for a simpler, more modern digital future, they've stayed resilient and committed to our customers.

Six big priorities enable our people strategy – behaviours, capabilities, talent & inclusion, performance, leadership and future workforce. They help us continue building a BT where people can grow, belong and perform at their best.

This year we've adjusted the size and shape of our workforce, strengthened our leadership practices and introduced new behaviours. And we've invested in the skills and capabilities needed to support our transformation.

Our new behaviours

This year we redefined and embedded our new behaviours – the habits and ways of working that will underpin the culture needed for our transformation.

We brought together nearly 27,000 of our colleagues in one of the largest listening exercises in our history, the Big Conversation. They shared what they valued about working here and where we could improve. And these insights shaped which behaviours would best boost performance and deliver our strategy.

Our culture is now centred on new and measurable behaviours: Customer First, Challenger, Committed, Clear & Connected. Working with people managers, senior leaders and frontline teams, we tested and refined the behaviours, then launched them in January. Adopting them will help us make the right decisions, solve problems faster and better deliver for our colleagues, our customers, our stakeholders and the country.

We've put a three-year transformation plan in place to embed the new behaviours into day-to-day habits and routines.

Strategic report continued

Our stakeholders continued

People capabilities

This year we continued building the technical, digital and customer skills needed for our future. We hired around 13,000 colleagues, including around 9,000 in the UK, 718 apprentices and 77 graduates, strengthening engineering, digital, AI, cyber security and customer operations.

We connected skills to communities through one of the UK's largest apprenticeship programmes, maintaining BT Group's position as a leading apprentice recruiter. Our apprentices tell us they feel engaged and included, supported by leaders, coaching and our partnership with our provider, Babington.

A highlight includes our award-winning Customer Service Level 2 apprenticeship programme in our contact centres. This year we have onboarded 422 apprentices onto the programme where they gain an accredited qualification alongside a role with us, building the skills and confidence to deliver brilliant service for customers.

Consumer and Business moved digital teams closer to customers to strengthen our end-to-end accountability. And we expanded capability academies to boost learning and on-the-job development.

Talent and inclusion

This year we strengthened our approach to developing our internal talent pipeline and made it more visible and introduced executive talent trading reviews. We also focused more deeply on diversity of representation and on fair progression.

We embedded quarterly people reviews everywhere, giving senior leaders a view of succession, bench strength and career development opportunities. The BT Group plc *Executive Committee* has increased its focus on critical roles, talent trading and strengthening the leadership bench.

We boosted our senior leadership with external hires in key functional areas, including Commercial, Data & AI, Digital, Product and Culture – while developing internal successors. Greg McCall took over from Howard Watson as Chief Security and Networks Officer and Katie Milligan succeeded Clive Selley as CEO Openreach, showing the strength of our internal succession pipeline.

Our People Networks continued to support inclusion and belonging. In India, flexible work options helped, with female representation rising to 32.3%. Our early careers cohorts are still really diverse, with strong engagement and inclusion scores.

Country

By keeping the nation connected, we make a significant economic contribution to UK society.

Earning and maintaining trust is essential; without it, we couldn't grow or fulfil our purpose of connecting for good. Different groups expect different things from us, but we all share a common goal – to make a positive and lasting impact on society.

Communities

The communities we serve want us to:

- keep them safe and protected with reliable and secure connections
- help them understand and navigate a rapidly evolving and increasingly digital world
- continue providing direct and indirect employment opportunities
- operate ethically, responsibly and sustainably.

How we engage with communities:

- Community members rely on our products and services to help them work, learn and live.
- We support them through our stores, contact centres, digital channels and home visits for installation and maintenance. We offer support to millions of people in the UK so everyone – regardless of age or background – can benefit from a digital world.
- We use customer surveys and reputation tracking to assess how we're doing and guide future priorities.
- The *Responsible Business Committee* has overseen our societal programme, tracking and discussing feedback and performance at each meeting.

Highlights this year:

- Our full fibre network now reaches 6.3 million homes and businesses in hard-to-reach areas, achieving our ambition to reach 6.2 million by December 2026, and we continue to invest and build in these areas.
- We're expanding 4G coverage in rural areas through the SRN initiative.
- We support around 845,000 low-income and vulnerable customers with social tariffs and discounted products.
- We spend £9.6bn a 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 UK.
- We're one of the UK's biggest private sector apprenticeship employers.
- We support communities to develop digital skills. This year, we helped a further 42,000 people, bringing the total to 23.3 million since FY15.
- Our colleagues volunteered over 140,000 hours of their time to help our charity partners and communities. That included sharing expertise through mentoring and digital skills help.
- Our colleagues donated over £1.1 million to more than 930 charities through payroll contributions. We hold a Payroll Giving Platinum Award quality mark from the Government.
- Our colleagues' fundraising and donations raised over £250,000 for our charity partner HomeStart UK, helping families facing social exclusion.

Strategic report continued

Our stakeholders continued

Government

- Our relationships with government bodies underpin our three strategic pillars. They also help us contribute to policies and initiatives that promote the best results for stakeholders.
- Based on a report published in 2025, we added more than £22.8bn to the UK economy, and provided services to over 1,100 public sector customers in the last 12 months.
- 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 such as welfare, tax, health, social care, police and defence – while protecting citizens' personal data.

The Government wants us to:

- continue 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
- promote digital inclusion and adoption, and support vulnerable customers through the process of network upgrades and migrations
- contribute to the UK's economic growth, innovation and resilience.

How we engage with the Government – and highlights this year

- Our policy and public affairs teams manage 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 the UK Government and Ministers in the Devolved Administrations through our Chairman, Chief Executive and senior leaders – as well as through consultation responses and cross-industry initiatives.
- Through those conversations we build support for policies that will deliver positive outcomes for the country and for our shareholders.
- The Board gets updates on discussions with Government through the Chairman, Chief Executive and BT Group plc *Executive Committee* members.
- This year we contributed to government initiatives on topics including industrial strategy, trade strategy, technology development and adoption, mobile coverage, planning reform, business rates, economic security, digital inclusion, consumer protection, late payments, AI skills and fraud prevention.
- Our Chief Executive, Allison Kirkby, is an advisor to the Board of Trade and a member of the Government's Women in Tech Task Force.
- We gave evidence to Government to help it formulate its Statement of Strategic Priorities for Ofcom. We also gave input and evidence to MPs on new legislation and in response to Select Committee inquiries.
- We're working closely with officials and regulators to agree protocols for moving customers off our legacy networks onto new, more secure and resilient technologies.

Regulators

Regulation protects consumers and promotes fair competition. As a major provider of connectivity services, our primary regulatory relationship is with Ofcom, the regulator of UK communications and TV services. We also work with other bodies like the FCA, CMA, and the ICO.

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 with regulators via our 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.
- Regulation in our sector is broadly stable. There's a consistent focus on promoting investment, keeping our market competitive, managing orderly migrations and achieving positive outcomes for customers.
- This year, Ofcom's market reviews – including the Telecoms Access Review 2026 – set out updated frameworks for pricing regulated wholesale access products. While the frameworks remained largely stable, there were minor changes to reflect growing competition in fixed infrastructure in parts of the UK.
- Ofcom also completed its industry-wide investigation on the format and content of information given to consumers at the start of their contracts. After its conclusion and our concurrent proactive reparations to customers, Ofcom issued us a £2.8 million fine. Separately, Ofcom launched a new investigation into a brief voice service outage in July 2025 which is ongoing.
- BT engages regularly with Ofcom to help deliver a regulatory landscape that achieves the wider objectives of the regulator and the industry requirements.

Strategic report continued

Our stakeholders continued

Suppliers and Partners

Strong, productive relationships with our suppliers and partners are essential to our success. They help us to deliver solutions and outstanding customer experiences.

Our suppliers and partners want us to:

- pay them in line with 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.
- We pick suppliers who endorse our policies and standards, so we collectively act ethically and responsibly.
- Before signing contracts, we carry out due diligence on areas like financial health, anti-bribery and corruption, business continuity, human rights, environmental impact, cyber security, data privacy, and health and safety.
- We have robust contracts with suppliers to uphold high standards, deliver on time to customers, and follow responsible and ethical supply chain standards.
- We regularly audit high-risk suppliers – focusing on governance, human rights and environmental impacts – and work with them to address what we find.

Based in Dublin, BT Sourced is our dedicated procurement arm which seeks to improve BT's efficiency and productivity. It's focused on digital, sustainable procurement and collaborating better with suppliers and partners, which delivers better value for BT, our customers and the wider community.

BT Sourced highlights this year

- We strengthened support for SME suppliers through our C2FO-powered BT Early Payment Programme. The number of suppliers using the BT Early Payment Programme increased 19% year-on-year. To date more than 1,400 suppliers have registered and in 2025 we facilitated more than £1.5bn in early payments – including Euro transactions as an additional currency option for our suppliers for the first time.
- We were one of the first signatories to the UK Government's Fair Payment Code (FPC) and continue to strengthen our payment practices in line with the scheme, receiving a Silver award in 2025. We also remain compliant with the UK's Duty to Report requirements on supplier payment performance. You can read more in our Responsible Business Addendum 2026 (bt.com/addendum).
- We are deploying agentic AI capabilities to increase automation, strengthen insights, better understand key suppliers and drive data-driven procurement.
- We published a new BT Supplier Charter, setting out minimum standards for all suppliers, whatever the contract type or value. Suppliers must follow the Charter's ethical principles and all relevant regulations.
- We're committed to responsible sourcing. We've implemented mandatory minimum weighting for environmental and social sustainability criteria for all competitive sourcing events. This incentivises suppliers to demonstrate innovation and best practice. Last year we increased the minimum weighting with default percentages for climate, circularity, human rights and inclusion.
- We helped pioneer and formally committed to the Disability Trading Framework (a voluntary set of commitments initiated by Small Business Britain). It makes procurement and supply chains more inclusive for disabled-led businesses through accessible processes and practices, capability-building, and proactive engagement to remove barriers.

Research and development

- Openreach provides industry-leading expertise in designing, building and operating fixed networks. Over 8,000 Openreach engineers are building full fibre across the UK at market-leading pace. This scale and experience enable us to deliver high quality full fibre build at low unit costs.
- Our mobile network engineering teams continue to roll out innovative network technologies to improve performance and capacity. For example, this year we became the world's first operator to deploy Advanced RAN Coordination (ARC) technology in our 5G+ network, enabling nearby mobile sites to share capacity and boost performance in high-traffic areas or at peak times.
- Our core fixed network is engineered and continuously scaled to support rising demand for high-bandwidth applications, maintaining reliable performance even during periods of peak usage such as live event streaming.
- We enable the next-generation technologies which are shaping the future of our industry, and translate them into innovative products and solutions to meet our customers' future connectivity needs. This year we invested £847m in R&D, and filed 82 patents, bringing our total portfolio to 5,434.

Risk Management

We want to be smart with risk. Our risk management framework gives us a simple, consistent way of looking at the challenges we face when delivering our strategy. It helps us make informed decisions that benefit our people, customers, shareholders and wider stakeholders

Why we need our risk framework

The external risk landscape is challenging and complex. There's increasing competition, evolving market dynamics, geopolitical uncertainty, cyber security threats and risks from AI's rapid advance.

Against this backdrop, effective risk management is essential. Our risk management framework helps us identify and assess the risks we face and the best ways to manage them. It stops us taking on unacceptable levels of risk. And it also stops us unnecessarily constraining our business, or missing growth and transformation opportunities. The diagram below highlights the framework's key elements.

The Board of BT Group plc is responsible for risk management. The BT Group plc Audit & Risk Committee oversees and monitors our risk management and internal control systems' effectiveness on its behalf. Twice a year the Board receives a summary of how we're managing risks across all Group Risk Categories (GRCs) and Units. There are also deep dives into individual GRCs through the year.

Strategic report continued

Risk Management continued

INPUTS	GROUP RISK CATEGORIES		OUTPUTS
Strategy, purpose and ambition We design our framework to help us deliver our strategy. We use our ambition and strategic priorities as the starting point. This helps identify what might stop us from achieving them, and decide how to manage those risks and what risk level we're comfortable with.	We divide our risk landscape into GRCs. Each GRC has an <i>Executive Committee</i> sponsor accountable for applying the framework to that category.		Being smart with risk Our framework embeds risk management into our day-to-day business, from top to bottom. Being smart with risk means all of us having our personal risk radar switched on, helping everyone make better decisions.
	APPETITE We define how much or how little risk we're willing to take in each of our GRCs. This lets us take opportunities as they come up without exposing ourselves to too much risk.		
	ENDURING RISKS Need consistent, enduring control and assurance structures to manage them.	DYNAMIC RISKS Need bespoke treatment based on their size, impact and what we need to do about them. There are two types:	
	CONTROLS Formal, repeatable, activities that cut the chance of an enduring risk materialising (or lessen the impact if it does).	POINT RISKS Significant to us at a point in time, can't be managed through our control framework, and need focused effort.	
	ASSURANCE An objective, evidence-based approach to make sure we have effective controls over key business risks.	EMERGING RISKS New and/or often longer-term risks, which could be materially significant, but that we can't fully define today.	

Units and programmes

We bring together risks to review, discuss, prioritise, own, action and report on across all Units (CFUs, TUs and CFs) and programmes. This gives us insights and facilitates factual, data-driven risk conversations. Which leads to smarter risk decisions and better operational integrity.

Risk Hubs

Cross functional forums that look at risks that span multiple GRCs, for example our Sustainability and Geopolitical risk hubs.

Risk embedded culture

We train everyone involved with the framework to give them a strong grasp of the expectations and benefits of good risk management. We also expect our leaders to be role-models for good risk management – taking accountability, showing curiosity and providing psychological safety – and to use the framework to make informed decisions.

Tools and technology

We have a dedicated, integrated risk management, controls and assurance system called Artemis. It captures enduring and dynamic risks and tracks how well our control framework is working. And it manages our first, second and third line assurance activity in one place. It gives us a clear, up to date picture and is central to our reporting and monitoring at every level.

Strategic report continued

Our principal risks and uncertainties

The risks in the following pages line up with our enduring Group Risk Categories (GRCs). Each GRC features enduring risks, and point and emerging risk examples

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 external risks – including economic uncertainty, competition, and rapid customer and technological change – and internal risks, particularly those related to designing and executing the strategy itself.

Our risk appetite

We measure and track our risk appetite through metrics focussed on strategy execution. We also assess whether our analysis and strategy are clear and robust, and whether the business and financial plans are aligned with them. This approach helps us make strong strategic choices and supports effective execution

Examples of dynamic risks

Point risks:

- Macroeconomic headwinds due to political uncertainty, driving factors such as high inflation, lower customer confidence, increasing energy costs and supply chain issues.
- Continued pricing pressure and a failure 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:

- Failing to harness AI properly for efficiencies and commercial opportunities.

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 Board regularly review performance against our strategic priorities and goals – and discuss key topics through the year.
- The BT Group plc *Executive Committee* and Board review and approve our budgets to make sure they're aligned with strategic priorities.
- The BT Investment Sub-Committee checks that our investments are aligned with our strategy.

Transformation delivery

Sponsor: Chief Strategy and Change Officer

Enduring risks this category covers

We must manage risks around delivering the transformation that underpins our strategy to realise our customer, colleague and financial targets. If we don't manage them, we won't become a simpler and more efficient business, which could damage our financial performance, customer experience and reputation.

Our risk appetite

We're committed to modernising our business and we've defined a level of risk we'll tolerate to achieve this. We track specific metrics to check we're achieving genuine, sustainable transformation results and not just cutting costs.

Delivering within our risk appetite will enable revenue growth and faster delivery, improve customer experience and make sure our costs compare well with peers.

Examples of dynamic risks

Point risks:

- Moving customers off old networks too slowly could hurt our timelines, raise costs and affect relationships with external stakeholders.
- The complexity and breadth of change across the group could stop us becoming more efficient and delivering sustainable transformation.
- If we don't deliver new digital journeys and platforms at the pace and quality needed, it could lead to poor customer experience and impact our ability to achieve sustainable revenue growth.

Emerging risks:

- Delayed customer migrations might slow us downsizing our building portfolio and getting the associated savings.

Examples of what we do to manage these risks

- We have strong governance, with senior leaders owning specific operational and financial outcomes.
- Our BT Group plc *Executive Committee* regularly reviews our transformation performance – making decisions and removing blockers.
- Through programme assurance, we continually improve processes to make sure we plan and execute our transformation, in line with our wider strategy and financial planning.
- We invest in our people, so we have the skills, capabilities and delivery frameworks we need to transform.

Strategic report continued

Our principal risks and uncertainties continued

Financial

Financing

Sponsor: Chief Financial Officer, BT Group

Enduring risks this category covers

We manage risks which might stop us meeting our financial obligations and funding our strategy delivery. These include not having access to enough cash, or pension obligation changes causing higher payments. We also tightly manage counterparty risk on our cash balances and cover some risks through our insurance programmes

Our risk appetite

We fund our business from 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 balances to preserve capital, not generate returns.

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

Examples of dynamic risks

Point risk:

- Increases in life expectancy or lower investment returns could raise our pension obligations.
- Macroeconomic or geopolitical uncertainties could lower the availability of debt or make it more expensive.

Examples of what we do to manage these risks

- We regularly review our forecast vs actual business performance.
- We have formal treasury risk management processes, Board oversight, delegated approvals and lender relationship management.
- We review our pension schemes' funding positions and investment performance and agree funding valuations.
- We purchase insurance to mitigate financial exposure to certain risks

Financial control

Sponsor: Chief Financial Officer, BT Group

Enduring risks this category covers

We focus on having strong financial controls to manage the risk of fraud and inaccurate reporting. If they failed, we could lose money or materially misrepresent our financial position. This could lead to financial misstatement, fines, legal disputes and reputational damage. This category includes risks around our Environmental, Social and Governance reporting requirements.

Our risk appetite

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

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

Examples of dynamic risks

Point risks:

- Not transforming our transactional processes and systems fast enough could affect our financial control performance, efficiency and effectiveness.

Emerging risks:

- Malicious actors using increasingly accessible and sophisticated AI and machine learning could increase fraud.
- Corporate and Social Responsibility reporting requirements are growing fast. If we don't adapt quickly, we could fail to meet our reporting obligations.

Examples of what we do to manage these risks

- We have financial and operational controls for planning and budget discipline, for efficient and accurate reporting and to prevent fraud.
- We proactively identify, manage, investigate and report on potentially fraudulent activities.
- We give fraud training to people in high-risk roles.
- Our tax risk framework helps us manage tax-related risks.
- We use independent professional services organisations for guidance and to check if we're ready for new and changing legislation.
- We horizon-scan to spot emerging fraud threats early, support proactive risk mitigation and strengthen resilience.

Strategic report continued

Our principal risks and uncertainties continued

Compliance

Legal and regulatory compliance

Sponsor: General Counsel, Company Secretary & Director Regulatory Affairs

Enduring risks this category covers

We focus on risks around not complying with communications regulation, competition law, anti-bribery and corruption measures, international trade controls and our corporate governance responsibilities. Other GRCs cover other relevant laws and regulations

Our risk appetite

We're committed to a strong compliance culture. It's an essential part of connecting for good.

We want to take commercial opportunities while making informed, evidence-based, justifiable decisions on following laws and regulations.

Our decisions are guided by regulatory obligations. They include protecting our customers and network, while considering the needs of our business and key stakeholders. We prioritise sustaining long-term predictable and stable regulations that support 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.
- Commercial flexibility allowed under the Telecoms Access Review might be introduced relatively slowly.
- Increasing regulation around resilience could raise costs

Emerging risk:

- Responding to more UK class actions could mean higher costs.
- Proliferating or expanding international, regional or national sanctions could raise costs or change sourcing arrangements.
- 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.
- Higher security and resilience expectations, on progressively more complex and interconnected networks and platforms, could lead to more regulatory obligations and cost pressures.

Examples of what we do to manage these risks

- Our Code fosters a culture of high standards and encourages everyone to speak up if something's not right.
- We proactively engage with regulators and give them accurate information on time.
- We regularly check legal and regulatory risks for strategic projects, new business, and within our operations.
- Our policies and processes help our people comply with our obligations under the UK Listing Rules and other corporate governance reporting requirements.
- We give compliance guidance and training on how to spot and handle risks or when to seek help.

Financial services compliance

Sponsor: CEO, Consumer

Enduring risks this category covers

We're focused on compliance as we grow our consumer credit and insurance business and develop new financial services products and services. This includes all applicable Financial Conduct Authority (FCA) principles, rules and requirements.

Our risk appetite

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

Examples of dynamic risks

Point risks:

- We may not be able to effectively show that we're in line with Consumer Duty Outcomes.
- There's uncertainty about the final outcomes of the FCA's review of consumer credit in the Telecoms Market, particularly regarding its impact on pricing dynamics in the market.

Emerging risk:

- Uncertainty around future regulation for consumer credit could affect investment in operational processes.
- New buy-now-pay-later regulation could bring competitive challenges.

Examples of what we do to manage these risks

- We constantly scan the regulatory and policy horizon.
- We check our financial services products and promotions are compliant before we launch them. We then monitor customer outcomes to ensure they remain suitable and deliver the right results for customers.
- We have processes in place to make sure customers get the right outcomes.
- We keep investing in and improving our ability to meet FCA Consumer Duty regulations.
- We run mandatory training on FCA regulations, matched to job roles.

Strategic report continued

Our principal risks and uncertainties continued

Compliance continued

Data and AI

Sponsor: Chief Digital Officer

Enduring risks this category covers

We focus on following today's global data and AI regulations – while anticipating and preparing for tomorrows. That means managing risks around data privacy, architecture, processing and retention.

Not following data protection laws or regulations – or misusing AI – could damage our reputation and stakeholder trust, harm our people, customers or suppliers and lead to loss of IP, litigation, fines and penalties.

Our risk appetite

We want to use data and AI ethically to grow our business, while sticking to our contracts, laws and, regulations.

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

We're committed to developing, buying, using and selling AI solutions responsibly. That means having the right data ethics, governance, security, IP, protection, responsible technology and compliance in place.

Examples of dynamic risks

Point risks:

- New EU regulation will require us to meet strict cyber security standards. That's because we import and distribute EU digital products over our network.
- Challenge in attracting, retaining and training people with the right skills to meet Data and AI requirements effectively, may affect our ability to deliver Group strategic objectives.

Emerging risks:

- AI's rapid advance means more stakeholder scrutiny on things like safety, ethics and data protection.
- A fast changing digital and technological landscape could change what skills we need to deliver objectives.

Examples of what we do to manage these risks

- We horizon-scan for new regulations, sector developments and technologies that could affect our data risks, controls and processes.
- Our data and AI strategy aims to create value and make us more efficient, while making sure we're in line with governance and regulation. It also includes managing risks around building AI solutions.
- We review how we use personal data across BT Group to make sure we follow our own data protection standards.
- We run data and AI impact assessments on all relevant changes.
- We provide data protection and handling tools and training to help our people make more risk-aware day-to-day decisions.
- We buy, sell and develop AI in a defined, responsible way.

Operational

Operational resilience

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers

We focus on best-in-class performance for customers, across our fixed and mobile networks and IT. That means being operationally resilient and managing risks that could disrupt services.

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

Some services depend on suppliers' and partners' reliability – making it important to carefully manage the risks associated with them.

Our risk appetite

We aim to give our customers market-leading services, underpinned by best-in-class network performance.

We decide where we deploy resources based on maximising service and customer experience and following our strategy.

Examples of dynamic risks

Point risks:

- Increasing cyber and physical security threats could compromise our assets and infrastructure, operational continuity and our people's safety.
- Increasing severe and frequent bad weather, could damage our infrastructure.
- Intentional damage to our subsea cables could lead to services being majorly disrupted.
- Relying on third parties, who might have poor support, could delay us fixing problems, impacting customers.

Emerging risk:

- Geopolitical tensions could disrupt our services and supply chain.
- Concentrating our infrastructure more could mean we're less resilient, which might disrupt services.

Examples of what we do to manage these risks

- We make our infrastructure as resilient as possible. We follow consistent processes to keep every asset robust through its life.
- We respond quickly to incidents and minimise their impact through geographically dispersed teams and clear, regular updates to customers.
- We run regular impact assessments that test our continuity and recovery plans and keep them up-to-date.
- We continually improve physical security across our estate to protect services and operations.
- We track external events to anticipate risks and respond effectively.

Strategic report continued

Our principal risks and uncertainties continued

Operational continued

Cyber security

Sponsor: Chief Security and Networks Officer

Enduring risks this category covers

A cyber attack (external or internal) could disrupt customers and compromise the UK's critical national infrastructure (CNI). We manage security risks that might lead to our assets or services losing their confidentiality, integrity or availability. That includes regulatory or contractual obligations.

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

Our risk appetite

Our aim is to protect BT Group, our people and customers from any harm or financial loss around our technical infrastructure – or how we use technology.

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

Cyber security events could be deliberate or accidental and come from inside or out. We adapt our security position and controls accordingly to 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, lost data, regulatory action and brand damage.
- Malicious actors could use malware to penetrate our existing security controls, including legacy assets, disrupting customers' services.

Emerging risks:

- Malicious actors using increasingly accessible and sophisticated AI and machine learning could harm us and our customers.
- New quantum computing on cryptographic systems could affect current encryption methods.

Examples of what we do to manage these risks

- We keep investing in cyber defences and security tools, automating where appropriate.
- We monitor external threats and gather intelligence on new cyber techniques, tactics and capabilities. We work with the National Cyber Security Centre and industry partners to better understand our threat landscape.
- Our security standards, tools and processes protect our applications, systems and networks.
- We communicate with, engage and pre-emptively train our people as the human firewall.

People

Sponsor: Chief People & Culture Officer

Enduring risks this category covers

We're focused on empowering our people and creating a culture where everyone can 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 priority is making sure our people can work and perform at their best. We're open to taking risks to do the right thing culturally and commercially. We avoid risks that could compromise our people's health, safety and wellbeing.

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

Examples of dynamic risks

Point risks:

- The scale of our transformation could have unintended consequences on engagement and productivity.
- Significant, rapid changes in skills demands could lead to resource gaps, which might affect business results and weaken transformation delivery.
- Not sustaining an inclusive and effective performance culture could stop us achieving our business objectives.

Emerging risk:

- Challenges linked to essential changes to workforce capability and productivity (including AI), attracting and keeping talent and future skills.

Examples of what we do to manage these risks

- We've updated our strategy to help us all work together more effectively. We're also pushing everyone to adopt a clear set of behaviours to refresh our culture and helps deliver our strategy.
- Our 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 covers family and carer's leave, flexible working, more inclusive leadership and providing accessible workplaces and systems for our people.
- We monitor and work on colleague engagement, and we have close relationships with formal representative groups and trade unions.

Strategic report continued

Our principal risks and uncertainties continued

Operational continued

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 which pose risks to health, safety and the environment (HSE).

We focus on keeping our people and partners safe, healthy and able to perform at their best, while managing risk effectively. We also want to protect the environment.

We're committed to maintaining and improving our HSE management systems. They keep our business safe and compliant – while protecting the environment and others we might affect.

Our risk appetite

We want to make sure we properly protect our people, others we interact with and the environment.

We proactively identify and control significant HSE risks across the business and mitigate them to the lowest reasonable level.

Legal, regulatory and other obligations are the minimum. But we aim well beyond that – to no avoidable harm, optimum physical and mental health and zero pollution.

Examples of dynamic risks

Point risks:

- Failing to effectively manage and control asbestos across our building estate and wider operations could lead to serious harm to health, law-breaking and reputational damage.
- Civil construction work for our full-fibre rollout, could lead to harm to our people and damage to the environment.
- Switching large numbers of vulnerable customers who depend on telecare devices from the PSTN network to Digital Voice, could stop some devices working and stop those customers getting help in emergencies.
- Not meeting statutory requirements for waste management could lead to reputational damage, risk to ISO certification and regulatory intervention and/or fines.
- Maintaining an ageing buildings estate (especially during our fibre and digital upgrade) could pose higher health and safety risks.

Examples of what we do to manage these risks

- Our group HSE policy is underpinned by our standards and key controls and the HSE framework is reflected in our Code of Conduct.
- We train our people to make sure they're clear on their responsibilities and are competent to do their jobs.
- We make sure our people and their representatives participate in (and are consulted on) HSE issues.
- We lead our contractors to improve their own HSE performance.
- We allocate resources to develop, maintain and continually improve our HSE management system.

Major customer contracts

Sponsor: Chief Executive, BT Group

Enduring risks this category covers

We're focused on delivering a wide mix of contracts which help our business perform and grow. In a dynamic, competitive market, we want to win and keep big private and public sector contracts.

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

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 delivery, migrations, renewals, exits or disputes could cut profits and affect future customer relationships.

Our risk appetite

We want a blend of major contracts. To do that, we must build market share, target the right customers, sign good commercial and legal agreements and deliver services successfully.

As the market and business environment change, we must 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 this means taking bigger risks sometimes – for example, complex customer agreements with obligations not fully covered by our standard portfolio, customised terms and conditions and/or delivery processes. We minimise the impact of this in bids and contract lifecycles.

Examples of dynamic risks

Point risks:

- Failing to deliver on highly bespoke customer data requirements could lead to potential breaches, fines and reputational harm.
- Retiring old products and launching new ones might create risks around fulfilling existing contractual commitments. It could also hamper our ability to deliver on our business strategy.

Emerging risks:

- Potential strengthening of both security and regulation around Government contracts, particularly in the defence sector.
- Escalating geopolitical risks impacting the supply chain, costs and delivery to our customers.
- The increasing prominence of AI might mean customers demanding stringent AI-related promises.

Examples of what we do to manage these risks

- We embed controls into the lifecycle of customer contracts.
- A clear operational governance framework helps us check new business opportunities, manage bids and monitor in-life contract risks.
- We manage external partners properly when they deliver services to our customers.
- We monitor how our customer contracts are performing.
- We support frontline contract managers with contract and obligation management tools.

Strategic report continued

Our principal risks and uncertainties continued

Operational continued

Supply management

Sponsor: Chief Financial Officer, BT Group

Enduring risks this category covers

We work with a wide and diverse supplier base to make sure we deliver high-quality products and services to customers. Selecting, onboarding and managing suppliers properly is critical to keeping our standards high.

We make decisions using lots of supplier performance and risk dimensions. They include concentration, capability, resilience, security, sustainability, cost, and broader factors that could impact our business operations or reputation.

Our risk appetite

Our risk appetite underpins sourcing decisions. There are inherent risks with sole or dual sourcing. But, for some critical products and services, where there are no viable alternatives, these models are necessary.

To balance commercial value with operational resilience, we engage and challenge suppliers to get the best price – while making sure we don't introduce service or delivery risks.

Supplier management needs strong governance. So we have little appetite for working with suppliers who operate outside our defined policies, standards and processes.

We also have a very low tolerance for suppliers that could harm our brand. This includes avoiding, or ending, relationship with those that fail to meet our ethical standards, including those around human rights.

Examples of dynamic risks

Point risks:

- The Middle East conflict and broader geopolitical instability pose various risks to our supply chain. These include the potential for greater volatility in energy markets, and increased tariff and trade restrictions that could raise prices, reduce availability and disrupt our supply chain.
- The impact on semiconductor and memory chip supply chains resulting from concentrated production, high demand and geopolitical tensions could raise costs, restrict availability and disrupt supply.

Emerging risks:

- Trade restrictions on critical minerals and metals could increase future commodity prices and create cost pressures across our supply chain.

Examples of what we do to manage these risks

- Our sourcing strategy has different ways of managing risk by category. They include standard terms and conditions and controls so we make good buying decisions.
- We have comprehensive supplier due diligence, contract management and onboarding processes. We're also reviewing and improving our in-life assessment process.
- We have robust supplier risk management, performance, renewal and termination processes.
- We do demand planning and forecasting, stock counts and inventory management so 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.

The strategic report was approved by the Board of Directors on 15 June 2026 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 2026 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 a final dividend of £1,500m.

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 2026. The audited consolidated financial statements are presented on pages 32 to 106 and the audited entity only financial statements are presented on pages 107 to 138.

A statement by the directors of their responsibilities for preparing the financial statements is included in the Statement of directors' responsibilities on page 25.

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'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, 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, key judgements and significant accounting policies conform with UK-adopted international accounting standards (IFRS), IFRSs issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act 2006, and are set out on page 38 of the consolidated financial statements and page 109 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 FY26 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 £1,500m was paid to the parent company, BT Group Investments Ltd (FY25: £780m). The directors recommend payment of a final dividend in respect of FY26 of £1,500m (FY25: £1,500m).

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 19 includes information on the group structure, strategy and stakeholders. The **Group performance** section on pages 6 to 7 includes information on our group financial results and balance sheet position. Notes 22, 24, 25 and 27 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 13 to 19 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 2027, 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 2026, the group had cash and cash equivalents of £0.4bn and current asset investments of £1.48bn. 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 2031 with the option to extend for one further year.

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 insurance 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 15 June 2026, and throughout FY26, British Telecommunications plc has provided an indemnity for a group of people similar to the group covered by the above insurance. Neither the insurance nor the indemnity provides cover where the individual is proven to have acted fraudulently or dishonestly.

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

Report of the directors continued

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 for 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 from 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 risk based behaviours, risk process and activities and governance. The framework:

- provides the business with the tools to take on the right risks and make informed decisions
- supports the identification, assessment and management of the principal risks and uncertainties faced by the group
- is an integral part of BT Group plc'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 FY26 and was deemed effective. Continuous improvements were made in FY26, including enhancing how enduring risks are managed through our key control framework. That included establishing our existing frameworks for each GRC as our 'Material Controls', as well as segmenting the underlying key controls in each GRC into different priority levels depending on the size of the risk. This provides the BT Group plc Board with visibility over areas where the framework may require attention and help leaders and oversight bodies focus on the controls that underpin the biggest risks.

These prioritised areas of control are the main focus of an integrated assurance plan which involves our assurance teams assessing the design and operational effectiveness of our defined control activities.

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

Furthermore, the BT Group plc Audit & Risk Committee, on behalf of the BT Group plc Board, reviews the effectiveness of the systems of risk management and internal control across the group. The BT Group plc Audit & Risk Committee has applied the FRC Audit Committees and the External Audit: Minimum Standard on a 'comply or explain' basis, including its responsibilities for audit tendering, oversight of audit quality and shareholder engagement in audit scope.

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, policies of the group and exposure to market risk (including interest rate risk, foreign exchange risk and energy price risk), liquidity risk and credit risk are given in note 27 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, group treasury monitors the credit quality across treasury counterparties and actively manages any exposures that arise. Management within the CFUs also actively monitors any exposures arising from trading balances.

Off-balance sheet arrangements

Other than the financial commitments and contingent liabilities disclosed in note 31 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. We use a supply chain financing programme with a limited number of suppliers with short payment terms to extend them a more typical payment term. More details are disclosed in note 17 to the consolidated **financial statements**.

Post balance sheet events

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

Legal proceedings

The group is involved in various legal proceedings, including actual or threatened litigation and government or regulatory investigations. For further details of legal and regulatory proceedings to which the group is party see note 18 to the consolidated **financial statements**.

Apart from the information disclosed in note 18 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 18, 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

Workforce engagement

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

Engaging with our colleagues takes many forms, including through:

- the BT Group plc Board receiving updates from the Chief Executive and Chief People & Culture Officer on topics including people strategy initiatives, culture, and sentiment across the organisation
- insight gathered from the Big Conversation – an open, online discussion with broad engagement from almost 27,000 of our people across the organisation – to shape the behaviours we’ve launched this year, putting our people at the heart of our culture refresh
- visits by Non-Executive Directors to locations throughout the year, including BT’s Mobile Technology Operations Centre and Cyber Security Operations Centre at our Bristol Assembly hub
- 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 members of the BT Group plc Board and groups of colleagues held before some Board meetings
- our half yearly Your Say engagement surveys which provide practical insights to people managers to help them understand what their teams are feeling and experiencing over time
- regular 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 also 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 high levels of change and transformation, engagement has stayed strong at 76% (UK), above the UK external benchmark (70%).

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

Additional Designated BT Group plc Non-Executive Directors for Workforce Engagement, Alex Chisholm and Sara Weller will be appointed with effect from 1 June 2026.

Employees with disabilities

We’re a Disability Confident Leader and actively encourage the recruitment, development, promotion and retention of disabled and neurodiverse people. We know that workplace adjustments are crucial to allow disabled and neurodiverse colleagues to perform to their best and we’re committed to making workplace adjustments for colleagues who need them.

In FY26, 1,821 colleagues were referred to the workplace adjustment process to ensure they had the necessary adjustments to enable them to succeed at BT. This year, we migrated our Disability and Neurodiversity Hub to our central HR knowledge and information portal. The move provides colleagues with improved search functionality powered by AI, making it easier to find the support and guidance they need.

This is the third year that we’ve voluntarily reported our disability pay gap; it reflects our drive for equal opportunity across all characteristics. Disability is voluntarily disclosed and at the time of the snapshot date in April 2025, 75% of our UK colleagues were happy to disclose. The mean and median pay gaps were low, with a mean gap of +0.7% and 0.0% median gap.

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

Political donations

Our policy is that no company in the group will make contributions in cash or in kind to any political party, whether by gift or loan.

However, the definition of political donations used in the 2006 Act is significantly broader than the sense in which these words are ordinarily used. The 2006 Act’s remit could cover making members of Parliament and others in the political world aware of key industry issues and matters affecting BT Group plc, and enhancing their understanding of the group.

The authority for political donations requested at the 2026 AGM is not intended to change this policy. It does, however, ensure that the group continues to act within the provisions of the 2006 Act, requiring companies to obtain shareholder authority before they make donations to political parties and/or political organisations as defined in the 2006 Act. During FY26, BT Group plc’s wholly owned subsidiary, British Telecommunications plc, paid the costs of attending events at (i) the Labour Party Conference; (ii) the Conservative Party Conference; (iii) the Reform Party Conference; (iv) the Scottish National Party Conference; (v) the Plaid Cymru Conference; and (vi) the Welsh Labour Party Conference. These costs totalled £9,315 (FY25: £8,674). No company in the group made any loans to any political party.

Branches

Details of our branches outside the UK are set out on pages 133 to 137.

Report of the directors continued

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 2024 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 2026 are shown below:

Principle One: Leadership

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

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

Principle Two: Board composition

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

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

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

Principle Three: Directors' responsibilities

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

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

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

Principle Four: Stakeholder relationship and engagement

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

The Board seeks to understand the views of its key stakeholders, and the impact of its behaviour and business on employees, customers, suppliers and society more broadly. Whilst for reasons of efficiency and effectiveness, much of this engagement takes place at a BT Group level, the Board receives updates on its key stakeholders and the mechanisms and initiatives for engagement. For more information on group level engagement with key stakeholders, see the BT Group plc 2026 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 19)
- An indication of our research and development activities (page 11)
- 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 8 to 9)

By order of the Board

Simon Lowth
Director
15 June 2026

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) 4.1.15R-4.1.18R, the financial statements will form part of the annual financial report prepared in XHTML and, where applicable, marked up using a taxonomy generally accepted in the UK. The auditor's report covers these financial statements but does not provide assurance over whether the annual financial report has been prepared or marked up in accordance with those DTR 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 15 June 2026 and was signed on its behalf by

Simon Lowth
Director
1 Braham Street, London, United Kingdom E1 8EE
15 June 2026

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 2026 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 2026 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- the 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 8 financial years ended 31 March 2026. 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 Business

Financial Statement Elements

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

Our assessment of risk vs FY25

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

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

Processing error

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

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

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

Subjective estimate of refund liabilities in Business

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

The effect of these matters is that, as part of our risk assessment, we determined the estimation of refund liabilities had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The estimate could be subject to manipulation, which is the reason why we have considered it as a key matter of our audit and a fraud risk.

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

Our response to the risk

Our procedures to address the risk included:

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

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

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

Tests of detail: Within Business, we compared the results of our test of detail over revenue, including error rates by product, in the current and previous years' audits, to the liabilities held for customer refunds.

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

Independent Auditor's Report To The Members Of British Telecommunications Plc continued

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 (FY25: satisfactory) and we considered the revenue relating to non-long-term contract revenue and the estimate of refund liabilities and related disclosures to be acceptable (FY25: acceptable).

2.2 Carrying amount of goodwill attributable to the Business and International cash generating units (Group)

Financial Statement Elements

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

Our assessment of risk vs FY25



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

Our results

FY26: Acceptable FY25: Acceptable

Description of the Key Audit Matter

Forecast-based impairment assessment

There is uncertainty in relation to the Business and International CGUs' ability to achieve revenue targets, given their historic performance and the execution risk associated with the transition from legacy to next generation telecommunication products and services. In conjunction with ongoing cost reductions and uncertainty in relation to the economic outlook, this renders precise forecasting of the underlying cash flows challenging.

The effect of these matters is that, as part of our risk assessment for audit planning purposes, we determined that the forecast cashflows used to support the recoverable amount of the goodwill allocated to the CGUs has a high degree of estimation uncertainty, with a potential range of reasonable impairment outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount.

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

For the International CGU, the financial statements (note 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 valuation of the International CGU, and the key sensitivities that the Board has considered.

Our response to the risk

Our procedures to address the risk included:

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

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

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

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

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

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

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

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

Our results

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

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

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

	FY26	FY25
BTPS Obligation	£35.1bn	£35.7bn

Our assessment of risk vs FY25

↔	Our assessment of the risk is similar to FY25.
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Our results

FY26: Acceptable	FY25: 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 19) disclose the key sensitivities of the defined benefit pension obligation to changes in key assumptions.

Our response to the risk

Our procedures to address the risk included:

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

Our actuarial expertise: With the support of our own actuarial specialists, we performed the following:

- Evaluating the judgements made and the appropriateness of methodologies used by the Group and the Group's expert in determining the key actuarial assumptions;
- Comparing the assumptions used by the Group to our independently compiled expected ranges based on market observable data points and our market experience.

Assessing transparency: Considering the adequacy of the Group's disclosures in respect of the sensitivity of the obligation to these assumptions.

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

Areas of particular auditor judgement

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

- Subjective and complex auditor judgement was required in evaluating the key actuarial assumptions used by the Group (including the discount rate, retail price index and mortality assumptions).

Our results

We found the valuation of the defined benefit obligation of the BT Pension Scheme and related disclosures to be acceptable (FY25: acceptable).

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

Financial Statement Elements

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

Our assessment of risk vs FY25

↔	Our assessment of the risk is similar to FY25.
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Our results

FY26: Acceptable	FY25: 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.

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

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

The financial statements (note 19) disclose the key sensitivities of the valuation of plan assets to changes in key assumptions.

Our response to the risk

Our procedures to address the risk included:

Assessing valuers' credentials: Evaluating the scope, 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 assessing the company's estimated value using assumptions such as the discount rate and projected future mortality, based on external data. External data included market views of the impact from COVID and post pandemic mortality experience on future mortality, BT's own scheme mortality experience during the COVID-19 years, market discount rates and the demographic analysis.

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

We performed the detailed tests above rather than seeking to rely on any of the Group's controls because our knowledge of the design of these controls indicated that we would not be able to obtain the required evidence to support reliance on controls.

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 future mortality).

Our results

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

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 (FY25: £135m). This was determined with reference to a benchmark of Total Revenue (of which it represents 0.69% (FY25: 0.66%)).

Consistent with FY25, we determined that Group Total revenue remains the 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 £19.65 billion (FY25: £20.35 billion).

Materiality for the Parent Company financial statements as a whole was set at £105m (FY25: £105m), determined with reference to a benchmark of Parent Company net assets, of which it represents 0.61% (FY25: 0.58%), and chosen to be lower than materiality for the Group financial statements as a whole.

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

Performance materiality was set at 65% (FY25: 50%) of materiality for the financial statements as a whole, which equates to £87.7m (FY25: £67.5m) for the Group and £68.2m (FY25: £52.5m) for the Parent Company.

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

We agreed to report to the Board any corrected or uncorrected identified misstatements exceeding 4% (FY25: 3%) of our materiality for Group and Parent, which equates to £5.4m (FY25: £4m) for Group and £4.05m (FY25: £3m) for the Parent Company, in addition to other identified misstatements that warranted reporting on qualitative grounds.

Overview of the scope of our audit

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 210 (FY25: 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 (FY25: 2) quantitatively significant components which contained the largest percentages of either total revenue or total assets of the Group, for which we performed audit procedures.

Additionally, having considered qualitative and quantitative factors, we selected 1 (FY25: 4) additional component with accounts and disclosures contributing to the specific RMMs of the Group financial statements.

Accordingly, we performed audit procedures on 3 (FY25: 6) components, of which we involved component auditors in performing the audit work on 1 (FY25: 2) component. This includes the audit of the Parent Company.

We set the component materialities, ranging from £18.7m to £105m (FY25: £9m to £105m), having regard to the mix of size and risk profile of the Group across the components.

Our audit procedures covered 81% (FY25: 83%) of Group revenue.

We performed audit procedures in relation to components that accounted for 98% (FY25: 87%) of the total profits and losses that made up Group profit before tax and 98% (FY25: 98%) of Group total assets.

For the remaining components for which we performed no audit procedures, no component represented more than 10% (FY25: 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.

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 geopolitical 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

Independent Auditor's Report To The Members Of British Telecommunications Plc continued

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

Fraud risk assessment

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

- enquiring of directors, the Board, internal audit and inspection of policy documentation as to the BT 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 minutes of the Company, and Remuneration Committee and other Executive Committee minutes of BT Group plc;
- considering remuneration incentive schemes and performance targets for management and directors including the EPS target for management remuneration;
- using analytical procedures to identify any unusual or unexpected relationships;
- Our forensic professionals assisted us in identifying key fraud risks. This included attending the Risk Assessment and Planning Discussion, holding a discussion with the engagement partner, engagement manager and engagement quality control reviewer, and assisting with designing relevant audit procedures to respond to the identified fraud risks. They also attended meetings with management to discuss key fraud risk areas.

Risk Communications

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

Fraud Risks

As required by auditing standards, and taking into account possible pressures to meet profit targets, recent revisions to guidance and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, and the risk of fraudulent revenue recognition in relation to the revenue streams in Business, in particular:

- the risk that Group and component management may be in a position to make inappropriate accounting entries; and
- the risk that the refund liability position in Business is not complete, given the high degree of estimation uncertainty in the calculation and the sensitivity of the liability position.

We did not identify any additional fraud risks.

Link to KAMs

Further details in respect of risk over the identification of refund liabilities for associated customers is contained within the Key Audit Matter disclosures in item 2.1 of this report.

Procedures to address fraud risks

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

We also performed procedures including:

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

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

Laws and regulations risk assessment

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

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

Risk Communications

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

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

Direct laws context and link to audit

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

Independent Auditor's Report To The Members Of British Telecommunications Plc continued

Most significant indirect law/ regulation areas

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

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

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

Context 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 25, 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.

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
15 June 2026

Group income statement

Year ended 31 March 2026

	Notes	Before specific items (‘Adjusted’) £m	Specific items ^a £m	Total (Reported) £m
Revenue	4, 5	19,646	8	19,654
Operating costs	6	(16,292)	(466)	(16,758)
<i>Of which net impairment losses on trade receivables and contract assets</i>		(146)	—	(146)
Operating profit (loss)	4	3,354	(458)	2,896
Finance expense	26	(1,208)	(191)	(1,399)
Finance income	26	797	—	797
Net finance expense		(411)	(191)	(602)
Share of post-tax profit (loss) of associates and joint ventures	23	8	(218)	(210)
Profit (loss) before taxation		2,951	(867)	2,084
Taxation	10	(510)	151	(359)
Profit (loss) for the year		2,441	(716)	1,725

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	26	(1,118)	(197)	(1,315)
Finance income	26	898	—	898
Net finance expense		(220)	(197)	(417)
Share of post-tax profit (loss) of associates and joint ventures	23	(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

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

Group statement of comprehensive income

Year ended 31 March 2026

	Notes	2026 £m	2025 £m
Profit for the year		1,725	1,781
Other comprehensive income (loss)			
<i>Items that will not be reclassified to the income statement</i>			
Remeasurements of the net pension obligation	19	(736)	88
Tax on pension remeasurements	10	168	(22)
<i>Items that have been or may be reclassified to the income statement</i>			
Exchange differences on translation of foreign operations ^a	28	(39)	(50)
Fair value movements on assets at fair value through other comprehensive income	28	3	(6)
Movements in relation to cash flow hedges:			
– net fair value (losses)	28	(161)	(105)
– recognised in income and expense	28	(22)	329
Tax on components of other comprehensive income (loss) that have been or may be reclassified	10, 28	41	(56)
Share of post-tax other comprehensive income (loss) in associates and joint ventures	23	11	(5)
Other comprehensive (loss) income for the year, net of tax		(735)	173
Total comprehensive income for the year		990	1,954

^a Includes £17m (FY25: £nil) cumulative exchange gain recycled to the income statement upon disposal of foreign operations see note 21.

Group balance sheet

Year ended 31 March 2026

	Notes	2026 £m	2025 ^a £m
Non-current assets			
Goodwill ^a	12	7,305	7,310
Other intangible assets ^a	13	4,663	5,123
Property, plant and equipment	14	24,650	23,380
Right-of-use assets	15	3,032	3,328
Derivative financial instruments	27	830	904
Investments	22	12,435	12,455
Joint ventures and associates	23	4	252
Trade and other receivables	16	681	655
Preference shares in joint ventures	23	—	234
Contract assets	5	382	306
Retirement benefit surplus	19	170	142
Deferred tax assets	10	1,124	959
		55,276	55,048
Current assets			
Inventories		366	331
Trade and other receivables	16	3,116	3,119
Preference shares in joint ventures	23	282	161
Contract assets	5	1,009	1,194
Assets classified as held for sale	21	—	245
Current tax receivable		433	355
Derivative financial instruments	27	68	130
Investments	22	1,482	2,631
Cash and cash equivalents	24	352	209
		7,108	8,375
Current liabilities			
Loans and other borrowings	25	420	2,092
Derivative financial instruments	27	85	106
Trade and other payables	17	5,877	5,873
Contract liabilities	5	963	899
Lease liabilities	15	779	705
Liabilities classified as held for sale	21	—	188
Current tax liabilities		66	82
Provisions	18	201	258
		8,391	10,203
Total assets less current liabilities		53,993	53,220
Non-current liabilities			
Loans and other borrowings	25	18,116	16,670
Derivative financial instruments	27	313	391
Contract liabilities	5	274	257
Lease liabilities	15	3,405	3,866
Retirement benefit obligations	19	4,379	4,230
Other payables	17	177	276
Deferred tax liabilities	10	1,969	1,717
Provisions	18	370	382
		29,003	27,789
Equity			
Share capital		2,172	2,172
Share premium		8,000	8,000
Other reserves	28	1,357	1,535
Retained earnings		13,461	13,724
Total equity		24,990	25,431
		53,993	53,220

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

The consolidated financial statements on pages 32 to 109 were approved by the Board of Directors on 15 June 2026 and were signed on its behalf by:

Simon Lowth
Director

Group statement of changes in equity

Year ended 31 March 2026

	Notes	Share capital ^a £m	Share premium ^b £m	Other reserves ^c £m	Retained earnings (loss) £m	Total equity (deficit) £m
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	20	—	—	—	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
Profit for the year		—	—	—	1,725	1,725
Other comprehensive income (loss) – before tax		—	—	(197)	(725)	(922)
Tax on other comprehensive income (loss)	10	—	—	41	168	209
Transferred to the income statement		—	—	(22)	—	(22)
Total comprehensive income (loss) for the year		—	—	(178)	1,168	990
Dividends to shareholders	11	—	—	—	(1,500)	(1,500)
Share-based payments	20	—	—	—	46	46
Tax on share-based payments	10	—	—	—	25	25
Other movements		—	—	—	(2)	(2)
At 31 March 2026		2,172	8,000	1,357	13,461	24,990

^a The allotted, called up, and fully paid ordinary share capital of BT Group plc at 31 March 2026 was £2,172m comprising 8,689,755,905 ordinary shares of 25p each (31 March 2025: £2,172m comprising 8,689,755,905 ordinary shares of 25p each).

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

^c For further analysis of other reserves, see note 28.

Group cash flow statement

Year ended 31 March 2026

	Notes	2026 £m	2025 £m
Cash flow from operating activities			
Profit before taxation		2,084	2,061
Share of post-tax loss of associates and joint ventures		210	8
Net finance expense		602	417
Operating profit		2,896	2,486
Other non-cash charges ^a		32	135
Impairment loss on remeasurement of disposal groups		27	116
(Profit) loss on disposal of businesses		(30)	—
(Profit) loss on disposal of property, plant and equipment and intangible assets		(37)	(32)
Depreciation and amortisation, including impairment charges	6	4,913	4,978
(Increase) decrease in inventories		(35)	78
(Increase) decrease in trade and other receivables		(18)	237
Decrease (increase) in contract assets		100	219
Increase (decrease) in trade and other payables		26	(387)
Increase (decrease) in contract liabilities		77	99
(Decrease) increase in other liabilities ^b		(802)	(924)
(Decrease) increase in provisions		(65)	(51)
Cash generated from operations		7,084	6,954
Income taxes (paid) refunded		(58)	35
Net cash inflow from operating activities		7,026	6,989
Cash flow from investing activities			
Interest received		96	132
Dividends received from joint ventures, associates and investments		15	4
Proceeds on disposal of businesses ^c		125	25
(Increase) in amounts owed by ultimate parent company		(833)	(863)
Proceeds on disposal of current financial assets ^d		12,840	13,891
Purchases of current financial assets ^d		(11,695)	(14,158)
Proceeds from investment in preference shares in joint venture	23	112	63
Proceeds on disposal of property, plant and equipment and intangible assets		40	36
Purchases of property, plant and equipment and intangible assets ^e		(5,169)	(4,937)
Increase (decrease) in amounts owed by joint ventures		(44)	120
Settlement of minimum guarantee liability with sports joint venture	17	(191)	(187)
Prepayment for forward sale of copper ^f		99	—
Net cash outflow from investing activities		(4,605)	(5,874)
Cash flow from financing activities			
Interest paid		(1,028)	(956)
Repayment of borrowings ^g		(2,347)	(2,095)
Proceeds from bank loans and bonds		1,843	2,552
Payment of lease liabilities		(731)	(739)
Cash flows from collateral (paid) received ^h		(3)	(11)
(Decrease) increase in amounts owed to joint ventures	25	(3)	(1)
Net cash outflow from financing activities		(2,269)	(1,250)
Net increase / (decrease) in cash and cash equivalents		152	(135)
Opening cash and cash equivalents		207	351
Net increase / (decrease) in cash and cash equivalents		152	(135)
Effect of exchange rate changes		(10)	(9)
Closing cash and cash equivalentsⁱ	24	349	207

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

^b Includes pension deficit payments of £790m (FY25: £803m) see note 19 for further details.

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

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

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

^f During FY26 we received an upfront prepayment of £99m (FY25: £nil) from entering into a forward agreement to sell copper granules created from surplus copper cables. As this is expected to be the only cash flow that occurs as part of this transaction the cash receipt has been included as a separate line within cash flows from investing activities. See note 25 for further details.

^g Repayment of borrowings includes the impact of hedging.

^h Cash flows relating to cash collateral held in respect of derivative financial assets with certain counterparties.

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

Notes to the consolidated financial statements

1. Basis of preparation

Preparation of the financial statements

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

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

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 2027, which is consistent with the FRC guidance. When reaching this conclusion, the directors took into account the group's and parent company's overall financial position (including trading results and ability to repay term debt as it matures without recourse to refinancing) and the exposure to principal risks.

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

New and amended accounting standards effective during the year

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

- Lack of Exchangeability (Amendments to IAS 21)

IFRS Interpretations Committee agenda decisions

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

We regularly review IFRIC updates and assess the impact of agenda decisions. No agenda decisions finalised during FY26 have been assessed as having a significant impact on the group.

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

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

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

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

IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027 (i.e.,

FY28 for BT). Earlier application is permitted. IFRS 18 will apply retrospectively.

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

Other

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

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

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

Re-presentation of prior year comparatives

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

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

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

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

The Group has revised its disaggregation of revenue (note 5) to better reflect the internal reporting provided to the CODM. Revenue previously reported under "Equipment and Other Services" has been split into separate categories: "Equipment" and "Other Services." Additionally, lease revenue is now disclosed within our disaggregation of revenue. Our segmental revenue disclosures have also been updated to include internal revenue to more accurately reflect segment performance.

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

Note 33 presents a bridge between previously published financial information and re-presented comparatives for the affected disclosures (segment revenue and profit; internal revenue and costs; and capital expenditure).

Also presented is a bridge in respect of the CFU adjusted UK service revenue comparatives re-presented in the Additional Information on page 140.

Re-presentation of goodwill and other intangible assets

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

Presentation of specific items

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

This presentation is consistent with the way that financial performance is measured by management and reported to the BT Group plc Board and the BT Group plc Executive Committee and

Notes to the consolidated financial statements continued

1. Basis of preparation continued

assists in providing an additional analysis of our reporting of trading results. Specific items may not be comparable to similarly titled measures used by other companies.

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

Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges related to the equity-accounted investment are classified as specific. Refer to note 23 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	●		
15. Reasonable certainty and determination of lease terms			●
18. Identifying contingent liabilities			●
18. Provisions		●	●
19. Valuation of pension assets and liabilities	●		●
19. Control assessment over co-investment vehicles			●
22. Held for sale classification			●
23. Valuation of BT's equity interest in the Sports joint venture		●	
23. 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

Notes to the consolidated financial statements continued

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

aligned with the policies adopted by the group. All intra-group transactions including any gains or losses, balances, income or expenses are eliminated on consolidation.

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

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

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

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

Inventories

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

Government grants

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

Grants for the purchase or production of property, plant and equipment are deducted from the cost of the related assets and reduce future depreciation expense accordingly. Grants for the reimbursement of operating expenditure are deducted from the related category of costs in the income statement. Estimates and judgements applied in accounting for government grants received in respect of Building Digital UK (BDUK) and other rural superfast broadband contracts including Reaching 100% (R100), are described in note 14.

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

Foreign currencies

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

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

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

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

Research and development

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

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

Termination benefits

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

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.

The International CFU was separated from Business forming a new CFU, effective from 1 July 2025. At 31 March 2026 the group had four CFUs: Consumer, Business, International and Openreach. The CFUs are supported by technology units (TUs) comprising Digital and Networks; and five corporate functions (CFs) Finance and Business Services; Strategy and Change; People and Culture; Legal, Regulatory Affairs, Compliance and Company Secretarial; Corporate Affairs and Brand. TUs and CFs are not reportable segments as they did not meet the quantitative thresholds as set out in IFRS 8 'Operating Segments' for any of the years presented.

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

Allocation of certain items to segments

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

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

Specific items are detailed in note 9 and are not allocated to the reportable segments as this reflects how they are reported to the 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.

Revenue recognition

Our revenue recognition policy is set out in note 5

Internal revenue and costs

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

Geographic segmentation

The UK is our country of domicile and is where we generate the majority of our revenue from external UK customers. The geographic analysis of revenue is based on the country in which the customer is invoiced. The geographic analysis of non-current assets, which excludes derivative financial instruments, investments, preference shares in joint ventures, retirement benefit schemes in surplus and deferred tax assets, is based on the location of the assets, and goodwill is presented by geography based on the CGU to which it is allocated. The goodwill balance allocated to the International CGU is further disaggregated based on the relative value of operations in each geography.

Notes to the consolidated financial statements continued

4. Segment information continued

Segment revenue and profit

Year ended 31 March 2026	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Segment revenue	9,494	5,257	2,114	6,190	13	23,068
Internal revenue	(40)	(216)	(1)	(3,165)	—	(3,422)
Adjusted^a revenue from external customers	9,454	5,041	2,113	3,025	13	19,646
Adjusted EBITDA^b	2,602	1,266	145	4,225	(9)	8,229
Depreciation and amortisation ^a	(1,673)	(770)	(208)	(2,130)	(94)	(4,875)
Adjusted^a operating profit (loss)	929	496	(63)	2,095	(103)	3,354
Specific items (note 9)						(458)
Operating profit						2,896
Net finance expense ^c						(602)
Share of post-tax (loss) profit of associates and joint ventures						(210)
Profit before tax						2,084

Year ended 31 March 2025 (re-presented ^d)	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Segment revenue	9,695	5,348	2,499	6,156	12	23,710
Internal revenue	(42)	(200)	—	(3,098)	—	(3,340)
Adjusted^a revenue from external customers	9,653	5,148	2,499	3,058	12	20,370
Adjusted EBITDA^b	2,644	1,331	205	4,029	(6)	8,203
Depreciation and amortisation ^a	(1,832)	(721)	(240)	(2,032)	(108)	(4,933)
Adjusted^a operating profit (loss)	812	610	(35)	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

^a Before specific items.

^b Adjusted EBITDA is defined as profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post-tax profits or losses of associates and joint ventures.

^c Net finance expense includes specific interest expense on retirement benefit obligation of £191m (FY25: £197m). See note 9.

^d Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see note 33.

Internal revenue and costs

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

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

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1, and for a bridge to prior period published financial information see note 33.

Notes to the consolidated financial statements continued

4. Segment information continued

Capital expenditure

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

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

^a Additions to intangible assets and purchase of spectrum as presented in note 13.

^b Additions to property, plant and equipment as presented in note 14.

^c Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU. For more information see note 1, and for a bridge to prior period published financial information see note 33.

Geographic segmentation

Revenue from external customers

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

^a Before specific items.

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

Non-current assets

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

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

^b Goodwill relating to the International CGU as detailed in note 12 is reported across the: Europe, the Middle East and Africa (excluding the UK); the 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 (excluding Openreach revenue) is recognised under IFRS 15 *Revenue from Contracts with Customers*. At contract inception we identify each distinct performance obligation within the contract. The transaction price is allocated to these performance obligations based on their relative standalone selling prices and revenue is recognised as each performance obligation is satisfied, either over time or at a point in time depending on the nature of the underlying goods or services.

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

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

Openreach revenue

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

Application of revenue accounting policies

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

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

Notes to the consolidated financial statements continued

5. Revenue continued

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

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

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

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

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

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

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

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

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

Revenue from lease arrangements in scope of IFRS 16

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

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

Income from arrangements classified as operating leases is presented as revenue where it relates to our core operating activities. Operating lease income from other arrangements is presented within other operating income (note 6).

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

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

Where an arrangement is assessed as a finance lease we derecognise the underlying asset and recognise a receivable equivalent to the net investment in the lease. Finance lease receivables are presented in note 16. The receivable is measured based on future payments to be received discounted using the interest rate implicit in the lease, adjusted for any direct costs. Any difference between the derecognised asset and the finance lease receivable is recognised in the income statement. Where the nature of services delivered relates to our core operating activities it is presented as revenue. Where it relates to non-core activities it is presented within other operating income (note 6).

Notes to the consolidated financial statements continued

5. Revenue continued

Disaggregation of revenue

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

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

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

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

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

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

^d FY25 comparative information re-presented. Further information on the nature of these re-presentations is set out below. Note 33 presents a bridge between financial information for the year to 31 March 2025 as published on 22 May 2025 and the comparatives presented above.

Re-presentation of revenue

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

As a result of these changes, disaggregated revenue has been re-presented to reflect updates to the CODM reporting structure, with 'Equipment' and 'Other Services' now shown separately and lease revenue disclosed distinctly. Internal CFU revenue is now included, and enhanced system data has enabled more granular categorisation being used to align service line reporting with the Group's accounting policies. Comparatives have been re-presented accordingly. Note 33 presents a bridge between financial information for the year to 31 March 2025 as published on 22 May 2025 and the comparatives presented above.

Remaining performance obligations

Revenue expected to be recognised in future periods for performance obligations that are not complete (or are partially complete) as at 31 March 2026 is £11,834m (FY25: £13,249m). Of this, £4,736m (FY25: £5,260m) relates to ICT and managed services contracts and equipment and other services which will substantially be recognised as revenue within three years. Fixed access and mobile subscription services typically have shorter contract periods and so £7,098m (FY25: £7,989m) will substantially be recognised as revenue within two years.

Lease income

Presented within revenue is £3,162m (FY25: £3,089m) income from arrangements classified as operating leases under IFRS 16 and which represent core business activities for the group. Income relates predominantly to Openreach's leases of fixed-line telecommunications infrastructure to external communications providers, classified as fixed access subscription revenue in the table above, and leases of devices to Consumer customers as part of fixed access subscription offerings, classified as equipment and other services.

During the year we also recognised:

- £19m (FY25: £19m) operating lease income from non-core business activities which is presented in other operating income (note 6). Note 15 presents an analysis of payments to be received across the remaining term of operating lease arrangements.
- £19m (FY25: £12m) revenue in relation to upfront gains from arrangements meeting the definition of a finance lease. These arrangements meet the criteria for revenue recognition as they concern leases and sub-leases of telecommunications infrastructure that represent core business activities of the group.

£24m (FY25: £33m) of our lease income relates to the sub-leasing of right-of-use assets. These are primarily operating sub-leases of unutilised properties, and finance sub-leases of telecommunications infrastructure.

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

Notes to the consolidated financial statements continued

5. Revenue continued

Key accounting estimates made in accounting for revenue

Estimate of customer refunds

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

This is presented within note 17 and represents our best estimate required to cover ongoing billing adjustments to products relating to both current and prior periods.

Contract assets and liabilities

Material accounting policies that apply to contract assets and liabilities

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

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

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

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

Contract assets and liabilities are as follows:

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

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

The expected credit loss provisions recognised against contract assets vary across the group due to the nature of our customers; the expected loss rate at 31 March 2026 was 2% (FY25: 3%).

Notes to the consolidated financial statements continued

6. Operating costs

Year ended 31 March	Notes	2026 £m	2025 £m
Operating costs by nature			
Staff costs:			
Wages and salaries ^a		3,723	3,963
Social security costs		463	431
Other pension costs	19	308	333
Share-based payment expense	20	46	59
Total staff costs		4,540	4,786
Capitalised direct labour		(1,388)	(1,412)
Net staff costs		3,152	3,374
Indirect labour costs ^b		1,368	1,271
Capitalised indirect labour		(807)	(806)
Net indirect labour costs		561	465
Net labour costs		3,713	3,839
Product costs		3,240	3,330
External sales commissions		458	440
Payments to telecommunications operators		907	1,074
Property and energy costs		1,280	1,296
Network operating and IT costs		1,047	1,077
Provision and installation		351	379
Marketing and sales		244	330
Net impairment losses on trade receivables and contract assets ^c		146	171
Other operating costs		335	508
Other operating income		(304)	(277)
Depreciation and amortisation, including impairment charges		4,875	4,933
Total operating costs before specific items		16,292	17,100
Specific items	9	466	772
Total operating costs		16,758	17,872
Operating costs before specific items include the following:			
Leaver costs ^a		7	9
Research and development expenditure ^d		847	790
Foreign currency (gains)/losses		(4)	(3)
Inventories recognised as an expense		1,991	2,180

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

^b Indirect labour costs relate to subcontracted labour costs.

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

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

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

Year ended 31 March	Notes	2026 £m	2025 £m
Depreciation and amortisation before impairment charges			
Intangible assets	13	1,274	1,300
Property, plant and equipment	14	2,969	2,939
Right-of-use assets	15	610	644
Impairment charges			
Intangible assets	13	7	5
Property, plant and equipment	14	12	43
Right-of-use assets	15	3	2
Total depreciation and amortisation before specific items		4,875	4,933
Impairment charges classified as specific items	9		
Intangible assets		32	2
Property, plant and equipment		—	29
Right-of-use assets		6	14
Total depreciation and amortisation		4,913	4,978

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

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

Notes to the consolidated financial statements continued

6. Operating costs continued

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

Year ended 31 March	2026 £m	2025 £m
Short-term employee benefits	18.5	17.9
Post employment benefits ^a	0.7	0.7
Share-based payments	8.4	8.7
Termination benefits	—	0.2
	27.6	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 through cash and share-based payment arrangements. One member of key management personnel exercised saveshare options during the year (FY25: none), see note 20.

7. Employees

	2026			2025		
	Average ^a '000	Average ^b FTE '000	Year end ^b FTE '000	Average ^a '000	Average ^b FTE '000	Year end ^b FTE '000
Number of employees in the group						
UK	64.6	62.2	58.9	70.8	68.3	64.5
Non-UK	19.4	19.4	18.3	20.7	20.7	20.8
Total employees	84.0	81.6	77.2	91.5	89.0	85.3
Consumer	17.5	15.5	14.9	17.8	15.7	16.2
Business ^c	11.9	11.7	11.5	22.2	22.0	21.0
International ^c	8.7	8.7	8.5	n/a	n/a	n/a
Openreach	27.0	26.9	24.9	30.6	30.5	27.8
Other	18.9	18.8	17.4	20.9	20.8	20.3
Total employees	84.0	81.6	77.2	91.5	89.0	85.3

^a Average reflecting monthly average headcount.

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

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

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

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

Year ended 31 March	2026 £000	2025 £000
Fees payable to the company's auditors and its associates for:		
Audit services^a		
The audit of the parent company and the consolidated financial statements	13,276	16,332
The audit of the company's subsidiaries	5,605	5,962
	18,881	22,294
Audit related assurance services^b	2,421	2,185
Other non-audit services	3	3
Total services	21,305	24,482

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

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

The BT Pension Scheme is an associated pension fund as defined in the Companies (Disclosure of Auditor Remuneration and Liability Limitation Agreements) (Amendment) Regulations 2011. In FY26 KPMG LLP received total fees from the BT Pension Scheme of £2.1m (FY25: £2.3m) in respect of the following services:

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

Notes to the consolidated financial statements continued

9. Specific items

The following charges and credits were recognised in FY26 and FY25 as specific items: significant business restructuring programmes including the current group-wide cost transformation and modernisation programme, disposals of businesses and investments, charges or credits relating to retrospective regulatory matters, significant out of period contract settlements, litigation matters, impairment arising on remeasurement of the disposal groups to be held for sale, asset impairment charges, impairment charges in our Portfolio Businesses, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. Movements relating to the sports joint venture (Sports JV) with Warner Bros. Discovery (WBD), such as fair value gains or losses on the A and C preference shares or impairment charges related to the equity-accounted investment are classified as specific, refer to note 23. See Note 1 (Basis of preparation) for details of the accounting policy relating to specific items.

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

A. Retrospective regulatory matters

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

B. Restructuring charges

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

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

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

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

C. Sports JV – related items

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

D. Divestment-related items

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

Notes to the consolidated financial statements continued

9. Specific items continued

E. Out of period adjustments

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

F. Litigation matters

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

G. Impairment loss on remeasurement of disposal groups

We recognised an impairment charge of £27m (FY25: £116m) for the remeasurement of disposal groups. Assets classified as held for sale under IFRS 5 are measured at the lower of their carrying amount and fair value less costs to sell, resulting in an impairment loss (see note 21).

H. Asset impairment charges

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

I. Impairment charges in our Portfolio Businesses

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

J. Interest expense on retirement benefit obligation

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

K. Share of loss of associates and joint ventures

In FY26 we recognised our share of impairment losses recorded within the Sports JV, amounting to £218m. This has been recognised as specific due to the size and incidence of these items. Refer to note 23 for further details.

L. Tax on specific items

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

Notes to the consolidated financial statements continued

10. Taxation

Material accounting policies that apply to taxation

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the group's subsidiaries, associates and joint ventures operate and generate taxable income. We evaluate positions taken in tax returns where tax regulation is subject to interpretation, and establish provisions if appropriate based on the amounts likely to be paid to tax authorities.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of our assets and liabilities and their tax base. Deferred tax is determined using tax rates that are expected to apply in the periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

The IASB amended the scope of IAS 12 to introduce a temporary mandatory exception from deferred tax accounting for top-up tax arising from the implementation of the OECD Pillar Two model rules.

Deferred and current income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority where there is an intention to settle the balances on a net basis. Any remaining deferred tax asset is recognised only when, on the basis of all available evidence, it is probable that there will be suitable taxable profits against which the deductible temporary difference can be utilised. Deferred tax balances for which there is a right of offset within the same jurisdiction are presented net on the face of the group balance sheet as permitted by IAS 12, with the exception of deferred tax related to our pension schemes which is disclosed within deferred tax assets.

Key accounting estimates made in accounting for taxation

We seek to pay tax in accordance with the laws of the countries where we do business. However, in some areas these laws are unclear, and it can take many years to agree an outcome with a tax authority or through litigation. We estimate our tax on country-by-country and issue-by-issue bases. Our key uncertainties are whether our intra-group trading model will be accepted by a particular tax authority and whether intra-group payments are subject to withholding taxes. We are subject to regular tax authority review, we provide for the predicted outcome where an outflow is probable, but the agreed amount can differ materially from our estimates and it might change for future reporting periods. Approximately 69% by value of the provisions is under active tax authority examination and are therefore likely to be re-estimated or resolved in the coming 12 months. £67m (FY25: £96m) is included in current tax liabilities or offset against current tax assets where netting is appropriate.

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

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

Analysis of our taxation expense for the year

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

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

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	2026 £m	2025 £m
Profit before taxation	2,084	2,061
Expected taxation expense at UK rate of 25% (FY25: 25%)	(521)	(515)
Effects of:		
Lower taxes on non-UK profits	11	18
Net permanent differences between tax and accounting ^a	114	155
Adjustments in respect of earlier years ^b	44	46
Prior year non-UK losses used against current year profits	9	9
Non-UK losses not recognised/(derecognised) ^c	(16)	7
Total taxation expense	(359)	(280)
Exclude specific items (note 9)	(151)	(200)
Total taxation expense before specific items	(510)	(480)

^a Includes UK income within the patent box regime of £54m (FY25: £55m), group relief received for nil payment of £162m (FY25: £183m) and expenses for which no tax relief is received including the share of impairment losses in the Sports JV of £55m in FY26 (FY25: £3m).

^b Reflects the differences between initial accounting estimates and tax returns submitted to tax authorities, including the release and establishment of provisions for uncertain tax positions.

^c Reflects losses arising in countries where it is not considered appropriate to recognise a deferred tax asset, as future taxable profits are not probable.

Tax components of other comprehensive income

Year ended 31 March	2026 Tax credit (expense) £m	2025 Tax credit (expense) £m
Taxation on items that will not be reclassified to the income statement		
Pension remeasurements	168	(22)
Tax on items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	(4)	3
Fair value movements on cash flow hedges		
– net fair value gains or (losses)	45	(59)
Total tax recognised in other comprehensive income	209	(78)
Current tax credit ^a	3	10
Deferred tax (expense) credit	206	(88)
Total tax recognised in other comprehensive income	209	(78)

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

Tax credit (expense) recognised directly in equity

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

Notes to the consolidated financial statements continued

10. Taxation continued

Deferred taxation

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

^a Includes a deferred tax asset of £nil (FY25: £nil) arising on contributions payable to defined contribution pension plans.

The majority of the deferred tax assets and liabilities noted above are anticipated to be realised after more than 12 months.

What factors affect our future tax charges?

We expect a large proportion of our capital spend to be eligible for full expensing under the UK capital allowances regime, which provides 100% tax relief in the year of spend on qualifying assets and reduces our current year UK tax liability. The enhanced and accelerated tax deductions arising under the Government's super-deduction regime for qualifying capital spend during FY22 and FY23, together with full expensing for FY24 to FY26 contributed to a net £4,812m deferred tax liability on fixed asset temporary differences, and a net £2,629m deferred tax asset relating to tax losses, after combining pension deficit contribution deductions, in the table above.

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

What are our unrecognised tax losses and other temporary differences?

At 31 March 2026 we had operating losses and other temporary differences carried forward in respect of which no deferred tax assets were recognised amounting to £3.1bn (FY25: £3.5bn). Our other temporary differences have no expiry date restrictions. The expiry date of operating losses carried forward is dependent upon the tax law of the various territories in which the losses arose. A summary of expiry dates for losses in respect of which restrictions apply is set out below:

At 31 March 2026	£m	Expiry
Restricted losses		
Europe	2	2027 - 2040
Other	2	2027 - 2040
Total restricted losses	4	
Unrestricted operating losses	2,877	No expiry
Other temporary differences	179	No expiry
Total	3,060	

At 31 March 2026 we had UK capital losses carried forward in respect of which no deferred tax assets were recognised amounting to £16.8bn (FY25: £16.8bn). These losses have no expiry date, but we consider the future utilisation of significant amounts of these losses to be remote.

At 31 March 2026 the undistributed earnings of non-UK subsidiaries were £2.5bn (FY25: £2.5bn). No deferred tax liabilities have been recognised in respect of these unremitted earnings because the group is in a position to control the timing of any dividends from subsidiaries and hence any tax consequences that may arise. Under current tax rules, tax of £48m (FY25: £44m) would arise if these earnings were to be repatriated to the UK.

11. Dividends

What dividends have been paid?

A dividend of £1,500m was paid to the parent company, BT Group Investments Ltd (FY25: £780m). The directors recommend payment of a final dividend in respect of FY26 of £1,500m (FY25: £1,500m).

Notes to the consolidated financial statements continued

12. Goodwill

Material accounting policies that apply to goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the group's share of the identifiable net assets (including intangible assets) of the acquired business. Goodwill arising on the acquisition of a business is measured at cost less accumulated impairment losses. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows that are largely independent of the cash inflows of other assets or cash-generating units (CGUs). Goodwill is allocated to CGUs that are expected to benefit from the synergies of the combination. Each CGU to which goodwill is allocated represents the lowest level within the group at which the goodwill is monitored for internal management purposes.

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

Significant judgements and critical accounting estimates made in reviewing goodwill for impairment

Determining our CGUs

The determination of our CGUs is judgemental. The identification of CGUs involves an assessment of whether the asset or group of assets generate largely independent cash inflows. The outcome of this assessment affects the allocation of goodwill and impairment test for the CGU to which goodwill is allocated. This involves consideration of how our core assets are operated and whether these generate independent cash inflows.

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

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

Estimating recoverable amount

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

Operating cash flow

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

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

Terminal growth rate

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

Discount rate

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

Notes to the consolidated financial statements continued

12. Goodwill continued

Cash-generating units

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

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

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

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

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

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

The impairment test

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

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

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

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

Key assumptions

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

Key assumptions	Approach to determine
Projected Adjusted EBITDA	Adjusted EBITDA is defined as the profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post-tax profits or losses of associates and joint ventures. The forecasts reflect past experience, and the trends and maturity of the industry that we operate in. Net savings from uncommitted restructuring are included in the projected Adjusted EBITDA.
Discount rate	The pre-tax discount rates applied to the cash flow forecasts are derived from our post-tax weighted average cost of capital. The assumptions used in the calculation of the group’s weighted average cost of capital are primarily benchmarked to externally available data and reflect the impact of those risks not already considered within cash flows, such as the risk-free rate, equity market risk premium, asset beta, and leverage ratios.
Long-term growth rate	The perpetuity growth rates are determined based on the forecast market growth rates of the regions in which the CGU operates, and reflect an assessment of the long-term growth prospects of that business and market. The growth rates have been benchmarked against external data for the relevant markets and analysts’ expectations. None of the growth rates applied exceed the expected average long-term growth rates for those markets or sectors.

Notes to the consolidated financial statements continued

12. Goodwill continued

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

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

Sensitivity analysis

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements continued

13. Other intangible assets

Material accounting policies that apply to other intangible assets

We recognise identifiable intangible assets where we control the asset, it is probable that future economic benefits attributable to the asset will flow to the group, and we can reliably measure the cost of the asset. We amortise all intangible assets, other than goodwill (see note 12), over their useful economic life. The method of amortisation reflects the pattern in which the assets are expected to be consumed. If the pattern cannot be determined reliably, the straight-line method is used.

Acquired intangible assets – customer relationships and brands

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

Telecommunications licences

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

Computer software

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

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

Other

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

Estimated useful economic lives

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

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

Impairment of intangible assets

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

Notes to the consolidated financial statements continued

13. Other intangible assets continued

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

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

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

^c Includes a carrying amount of £492m (FY25: £506m) in respect of assets under construction, which are not yet amortised.

^d Disposals and adjustments include the removal of assets from the group's fixed asset registers following disposals and the identification of fully amortised assets (including £0.7bn in FY26 (FY25: £0.7bn) through operation of the group's annual asset verification exercise).

^e For a breakdown of assets held for sale see note 21.

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

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

Notes to the consolidated financial statements continued

14. Property, plant and equipment

Material accounting policies that apply to property, plant and equipment

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

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

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

Estimated useful economic lives

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

Land and buildings

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

Network infrastructure

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

Other assets

– Motor vehicles	2 to 10 years
– Computers and office equipment	3 to 7 years

Residual values and useful lives are reassessed annually and, if necessary, changes are recognised prospectively.

Network share assets

Certain assets have been contributed to a network share arrangement by both EE and Hutchison 3G UK Limited, with legal title remaining with the contributor. This is considered to be a reciprocal arrangement. Our share of the assets on acquisition of EE was recognised at fair value within tangible assets, and depreciated in line with policy. Subsequent additions are recorded at cost.

Impairment of property, plant and equipment

We test property, plant and equipment for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is performed, we assess the recoverable amount by reference to the higher of the net present value of the expected future cash flows (value in use) of the relevant asset and the fair value less costs to dispose. If it is not possible to determine the recoverable amount for the individual asset then we assess impairment by reference to the relevant cash generating unit as described in note 12.

Government grants

We receive government grants in relation to rural superfast broadband contracts including Building Digital UK (BDUK), Reaching 100% (R100) and Gigabit. Where we have achieved certain service levels, or delivered the network more efficiently than anticipated, we have an obligation to either re-invest or repay grant funding. Where this is the case, we recognise deferred income in respect of the funding that will be re-invested or repaid, and make a corresponding adjustment to the carrying amount of the related property, plant and equipment.

Assessing the timing of whether and when we change the estimated take-up assumption is judgemental as it involves considering information which is not always observable. Our consideration on whether and when to change the base case assumption is dependent on our expectation of the long-term take-up trend.

Our assessment of how much grant income to defer includes consideration of the difference between the take-up percentage agreed with the local authority and the likelihood of actual take-up. The value of the government grants deferred is disclosed in note 17.

Notes to the consolidated financial statements continued

14. Property, plant and equipment continued

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

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

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

^c Disposals and adjustments include the removal of assets from the group's fixed asset registers following disposals and the identification of fully depreciated assets including £2.5bn in FY26 (FY25: £1.5bn) through operation of the group's annual asset verification exercise). They also include adjustments between gross cost and accumulated depreciation following review of fixed asset registers, and adjustments resulting from changes in assumptions used in calculating lease-end obligations where the corresponding asset is capitalised.

^d Transfers to assets held for sale are detailed in note 21.

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

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

Notes to the consolidated financial statements continued

14. Property, plant and equipment continued

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

- £18,332m (FY25: £17,158m) of the carrying amount of the network infrastructure asset class represents Openreach's network infrastructure. The majority of the associated assets are used to deliver fixed-line telecommunications services that have been assessed as containing operating leases, to both internal and external communications providers. Network infrastructure held by Openreach is presented separately in the table above; however it is not practicable to separate out infrastructure not used in operating lease arrangements.
- Plant and equipment, within other assets, includes devices with a carrying amount of £268m (FY25: £238m) that are made available to retail customers under arrangements that contain operating leases. These are not presented separately in the table above as they are not material relative to the group's overall asset base.

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

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

Network infrastructure

Some of our network assets are jointly controlled by EE Limited with Hutchison 3G UK Limited. These relate to shared 3G network and certain elements of network for 4G rural sites. The net book value of the group's share of assets controlled by its joint operation MBNL is £795m (FY25: £791m) and is recorded within network infrastructure.

BT Tower

In FY24 we agreed to the sale of the BT Tower for headline consideration of £275m, as part of the simplification of the group's property portfolio. The carrying amount of the BT Tower asset is £2.1m as at 31 March 2026 (FY25: £2.9m). The asset continues not to meet the IFRS 5 criteria for classification as held for sale at the reporting date, reflecting the extent of decommissioning work needed to provide vacant possession of the site.

The transfer of legal title is anticipated to take place in a three year window between 2028 and 2031 subject to achieving vacant possession of the site. BT continues to enjoy exclusive rights to occupy and access the site prior to completion. The useful economic lives of assets associated with the BT Tower have been reassessed in light of the anticipated disposal in FY30.

Notes to the consolidated financial statements continued

15. Leases

Material accounting policies that apply to leases

Identifying whether a lease exists

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

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

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

Lessee accounting

We recognise a lease liability and right-of-use asset at the commencement of the lease.

Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the group's incremental borrowing rate.

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

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

Lease payments include:

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

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

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

Right-of-use assets are initially measured at the initial amount of the corresponding lease liabilities, adjusted for any prepaid lease payments, plus any initial direct costs incurred and an estimate of any decommissioning costs that have been recognised as provisions, less any lease incentives received. They are subsequently depreciated using the straight-line method to the earlier of the end of the useful life of the asset or the end of the lease term. Right-of-use assets are tested for impairment following the policy set out in note 14 and are adjusted for any remeasurement of lease liabilities.

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

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

Notes to the consolidated financial statements continued

15. Leases continued

Lessor accounting

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

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

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

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

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

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

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

🔍 Significant judgements made in accounting for leases

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

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

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

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

Significant judgements exercised in setting the lease term

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

Notes to the consolidated financial statements continued

15. Leases continued

UK operational property portfolio

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

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

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

If the assessment were to change at the balance sheet date of 31 March 2026:

- Exercising the purchase option would lead to an estimated increase in the lease liability and right-of-use asset of between £3bn and £5bn.
- Continuing to lease the estate beyond 2031 until the next available break in 2041 would lead to an estimated increase in the lease liability and right-of-use asset of between £1bn and £2bn.

Our assessment will be directly linked to future strategic decisions, which will be resolved at some time prior to 2031, around the development of the fixed network and the associated rationalisation of our exchange estate. The breadth of the ranges reflects the significant uncertainty around key variables used to determine cash outflows, especially future inflation and which properties the group will be able to exit prior to or in 2031.

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

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

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

Cell sites

Most of the liability recognised in respect of leased cell sites relates to multi-site arrangements with commercial providers. The fixed-term nature of these arrangements means it has not been necessary to exercise significant judgement when determining the lease term. Where the arrangements offer extension options we have been required to conclude whether the options are reasonably certain to be exercised. Although the balance sheet could be materially affected by the conclusion reached in regard to these options, we have not been required to exercise a significant degree of judgement in arriving at the lease term having regard to the period of time covered by the options, the difficulty in predicting the group's long-term network requirements, and the relatively high threshold that 'reasonably certain' represents.

A smaller proportion of the cell site liability relates to arrangements with individual landlords which are either rolling or can be exited with notice. When setting the initial lease term for these arrangements we exercised significant judgement in establishing the period that we are reasonably certain to require use of the site. We broadly aligned lease terms with our medium-term planning horizon after assessing the relative strengths of the following factors:

- Long-term economic incentives to remain on sites including existing capital improvements;
- A need to maintain flexibility in our ability to develop and manage our network infrastructure to react quickly to technological developments and evolving capacity requirements; and
- Incentives to renegotiate arrangements in the medium term to gain more security over sites to support future capital investment.

Although significant judgement has been exercised in determining the lease term, reaching an alternative conclusion would not have a material impact on the balance sheet having regard to the most feasible alternative lease terms.

Subsequently, we consider key events that trigger reassessment of lease terms to be developments which resolve uncertainty around our economic incentive to remain on individual sites in the long term. These are primarily lease renegotiations and significant capital investments, for example that associated with our 5G rollout and other capital refresh programmes.

Notes to the consolidated financial statements continued

15. Leases continued

Right-of-use assets

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

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

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

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

Lease liabilities

Lease liabilities recognised are as follows:

Year ended 31 March	2026 £m	2025 £m
Current	779	705
Non-current	3,405	3,866
	4,184	4,571

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

- Interest expense of £133m (FY25: £135m) on lease liabilities.
- Variable lease payments of £39m (FY25: £38m) which are not dependent on an index or rate and which have not been included in the measurement of lease liabilities.

Expenses relating to leases of low-value assets and short-term leases for which no right-of-use asset or lease liability has been recognised were not material.

The total cash outflow for leases in the year was £864m (FY25: £874m). Our cash flow statement and normalised free cash flow reconciliation present £731m (FY25: £739m) of the cash outflow as relating to the principal element of lease liability payments, with the remaining balance of £133m (FY25: £135m) presented within interest paid.

Note 27 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

15. Leases continued

Other information relating to leases

At 31 March 2026 the group was committed to future minimum lease payments of £36m (FY25: £229m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

The following table analyses cash payments to be received across the remaining term of operating lease arrangements where BT is lessor:

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

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

^a Future operating lease income to be recognised as revenue primarily relates to income from Openreach's fixed access subscription services which meet the definition of leases under IFRS 16 and which typically are expected to have a lease period term of one year or less.

16. Trade and other receivables

Material accounting policies that apply to trade and other receivables

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

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

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

The group utilises factoring arrangements for selected trade receivables. Trade receivables that are subject to debt factoring arrangements are derecognised if they meet the conditions for derecognition detailed in IFRS 9 'Financial instruments' and the related cash flows received are presented as cash flows from operating activities. Where a portfolio of trade receivables are either sold or held to collect the contractual cash flows, they are recorded at fair value through other comprehensive income.

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

Notes to the consolidated financial statements continued

16. Trade and other receivables continued

At 31 March	2026 £m	2025 £m
Current		
Trade receivables	1,442	1,490
Amounts owed by ultimate parent company	—	10
Prepayments	636	613
Accrued income	132	173
Deferred contract costs	459	415
Finance lease receivables	29	29
Amounts due from joint ventures	91	46
Other assets ^a	327	343
	3,116	3,119
Non-current		
Deferred contract costs	315	291
Prepayments	145	120
Finance lease receivables	74	91
Other assets ^a	147	153
	681	655

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

Amounts due from joint ventures relates to a sterling Revolving Credit Facility (RCF) provided to the Sports JV, see note 30. The expected loss provision is immaterial.

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

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

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

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

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

Notes to the consolidated financial statements continued

16. Trade and other receivables continued

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

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

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU. For more information see note 1.

Given the broad and varied nature of our customer base, the analysis of trade receivables not past due and accrued income by CFU is considered the most appropriate disclosure of credit concentrations.

Deferred contract costs

Material accounting policies that apply to deferred contract costs

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

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

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

The following table shows the movement on deferred costs:

	Deferred connection costs £m	Deferred contract acquisition costs – commissions £m	Deferred contract acquisition costs – dealer incentives £m	Transition and transformation £m	Total £m
At 1 April 2024	13	147	349	103	612
Additions	41	128	365	55	589
Amortisation	(15)	(121)	(303)	(49)	(488)
Impairment	(1)	(4)	(3)	—	(8)
Other	21	(2)	—	(18)	1
At 31 March 2025	59	148	408	91	706
Additions	25	196	326	56	603
Amortisation	(23)	(148)	(299)	(48)	(518)
Impairment	(1)	(2)	(4)	—	(7)
Other	—	21	(22)	(9)	(10)
At 31 March 2026	60	215	409	90	774

Notes to the consolidated financial statements continued

17. Trade and other payables

Material accounting policies that apply to trade and other payables

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

We use a supply chain financing programmes as described below. We assess these arrangements against indicators to assess if debts which vendors have sold to the funder under the supplier financing schemes continue to meet the definition of trade payables or should be classified as borrowings. At 31 March 2026 under the terms of the arrangement the funder's payment to the supplier does not legally extinguish our obligation to the supplier so it remains within trade and other payables. Cash flows only occur when the trade payable is extinguished and are therefore presented in cash flows from operating activities.

At 31 March	2026 £m	2025 £m
Current		
Trade payables	3,825	3,727
Amounts owed to ultimate parent company	—	12
Other taxation and social security	432	484
Minimum guarantee with sports joint venture ^a	101	201
Accrued expenses	614	519
Deferred income ^b	378	418
Other payables ^c	527	512
	5,877	5,873
Non-current		
Minimum guarantee with sports joint venture ^a	—	87
Deferred income ^b	160	164
Other payables	17	25
	177	276

^a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture (see note 23). Movement in the liability driven by £191m (FY25: £187m) payments made during the year less £5m (FY25: £10m) finance cost recorded from unwinding the impact of discounting.

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

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

Supplier Financing Arrangements

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

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.

Notes to the consolidated financial statements continued

17. Trade and other payables continued

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

Non-cash changes

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

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

18. Provisions & contingent liabilities

Our provisions principally relate to obligations arising from property rationalisation programmes, asset retirement obligations, network assets, third party claims, litigation and regulatory risks. Contingent liabilities primarily arise from litigation and regulatory matters that are not sufficiently certain to meet the criteria for recognition as provisions.

🔗 Material accounting policies that apply to provisions & contingent liabilities

We recognise provisions when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where these criteria are not met we disclose a contingent liability if the group has a possible obligation, or has a present obligation with an outflow that is not probable or which cannot be reliably estimated.

Provisions are determined by discounting the expected future cash flows at a nominal pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Cash flows are adjusted for the effect of inflation where appropriate.

🔍 Significant judgements made in identifying contingent liabilities

Contingent liabilities are not recognised as liabilities on our balance sheet. By their nature, contingencies will be resolved only when one or more uncertain future events occur or fail to occur. We assess the likelihood that a potential claim or liability will arise and also quantify the possible range of financial outcomes where this can be reasonably determined.

In identifying contingent liabilities we make key judgements in relation to applicable law and any historical and pending court rulings, and the likelihood, timing and cost of resolution.

Establishing contingent liabilities associated with litigation brought against the group may involve the use of significant judgements and assumptions, in particular around the ability to form a reliable estimate of any probable outflow. We provide further information in relation to specific matters in the 'contingent liabilities' section below.

Notes to the consolidated financial statements continued

18. Provisions & contingent liabilities continued

Key accounting estimates and significant judgements made in accounting for provisions

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

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

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

Asset retirement obligations (AROs) relate to obligations to dismantle equipment and restore network sites on vacation of the site. The provision represents the group's best estimate of the costs to dismantle equipment and restore the sites.

Obligations are settled as and when sites are vacated and the timing is largely influenced by the group's network strategy.

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

Litigation provisions represent the best estimate to settle present obligations recognised in respect of claims brought against the group. The estimate reflects the specific facts and circumstances of each individual matter and any relevant external advice received. Provisions recognised are inherently judgemental and could change over time as matters progress. During the year we have merged the 'third party claims' and 'litigation claims' into one category 'Third party and litigation claims' due to their similarities in nature, timing and uncertainties.

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

Other provisions do not include any individually material provisions.

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

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

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

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

Notes to the consolidated financial statements continued

18. Provisions & contingent liabilities continued

Contingent liabilities and legal proceedings

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

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

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

Class action claim – combined mobile and handset services

In November 2023, Justin Gutmann, represented by law firm Charles Lyndon applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages on behalf of customers who purchased combined handset and airtime contracts who are outside their minimum contract terms but who continue to pay the same price as during their minimum contract terms. The claim alleges this approach was an anti-competitive abuse of a dominant position. Similar claims have also been brought against Vodafone, Three and O2. The case was certified by the Competition Appeals Tribunal in November 2025, meaning it can proceed to trial.

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

BT filed its defence in February 2026 and intends to defend itself vigorously. At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for.

Italian business

Milan Public Prosecutor prosecutions: In FY20 proceedings were initiated against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputed this and maintained in its defence that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. BT Italia was acquitted of all charges at first instance and the convictions of its former employees have now been overturned on appeal in the Italian courts.

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

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

19. Retirement benefit plans

19.1 Background to BT Group's pension plans

The group has both Defined Benefit and Defined Contribution retirement benefit plans. The group's main plans are in the UK:

- The BT Pension Scheme (BTPS) is the largest UK Defined Benefit plan sponsored by BT Group, constituting 97% of BT Group's IAS 19 liability. It was closed to future benefit accrual in 2018 for the majority of members.
- The EE Pension Scheme (EEPS) has a Defined Benefit section that was closed to future benefit accrual in 2014. The Defined Contribution section was closed to future accrual in 2023 and was subsequently wound up and transferred out in 2025. The Defined Benefit section constitutes 2% of BT Group's IAS 19 liability.
- The BT Retirement Saving Scheme (BTRSS) is a Defined Contribution, contract-based, plan operated by Standard Life which new UK employees join. There are around 57,000 employees currently contributing to the BTRSS.

The group also has retirement arrangements around the world in line with local markets and culture; the principal ones being in the Netherlands and Germany.

Types of retirement benefit plans

Defined Benefit (DB) plans

DB plan benefits are determined by the plan rules, typically dependent on factors such as years of service and pensionable pay, but not on the value of actual contributions made by the group or members. The group is exposed to investment and other experience risks and may need to make additional contributions where it is estimated that the benefits will not be met from assets held, regular contributions and expected investment income.

The net defined benefit liability, or deficit, is the present value of all expected future benefit cash flows to be paid by each plan, calculated using the projected unit credit method by professionally qualified actuaries (also known as the Defined Benefit Obligation, DBO or liabilities) less the fair value of the plan assets. A net defined benefit asset, or surplus, occurs when the fair value of assets exceeds the liabilities.

Defined Contribution (DC) plans

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

Notes to the consolidated financial statements continued

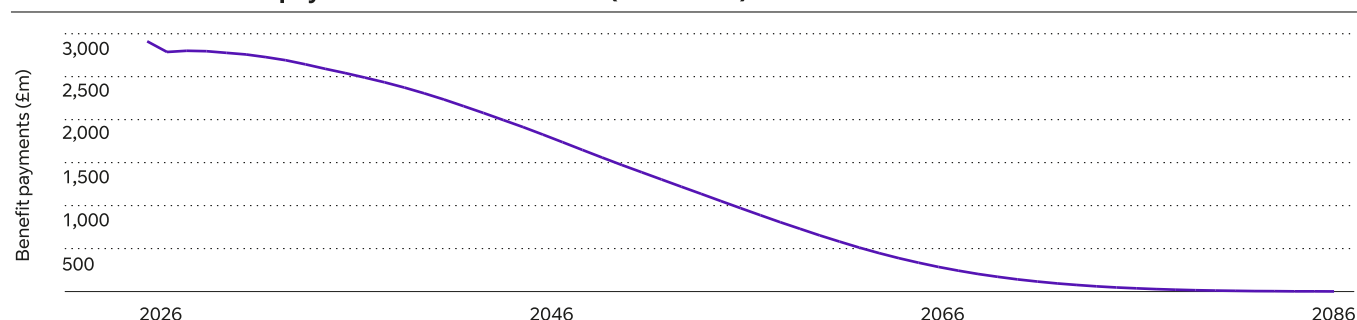
19. Retirement benefit plans continued

19.2 Background to BTPS

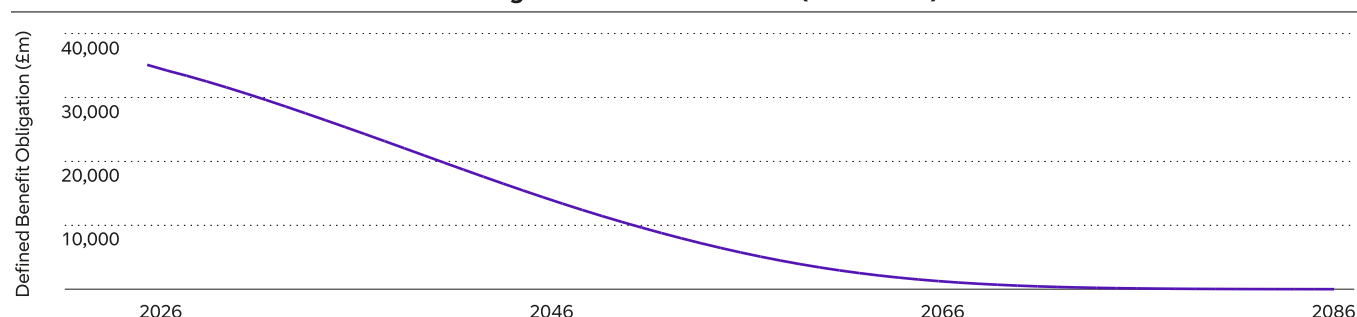
BTPS has 41,000 deferred members and 213,000 pensioners. All BTPS members receive pension benefits at retirement based on salary and years of service; some members also receive a lump sum payment at retirement. Increases for the majority of benefits are linked to either the Retail Price Index (RPI) or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

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

Forecast BTPS benefit payments at 31 March 2026 (unaudited)



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



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

How is the BTPS governed and managed?

BT Pension Scheme Trustees Limited (the Trustee) has been appointed by BT Group as an independent trustee to administer and manage the BTPS on behalf of the members in accordance with the terms of the BTPS Trust Deed and Rules and relevant legislation (principally the Pensions Acts of 1993, 1995, 2004 and 2021 – as well as the Pension Schemes Act 2026, which received Royal Assent on 29 April 2026). The Trustee's key powers include setting the investment strategy of the BTPS (after consultation with BT Group) and agreeing with BT Group the actuarial assumptions to be used when assessing the BTPS funding position and the resulting contributions that will be paid.

There are nine Trustee directors, all of whom are appointed by BT Group, as illustrated below. Trustee directors are usually appointed for a three-year term but are then eligible for re-appointment.



Chair of the Trustee directors

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



Member nominated Trustee directors

Four appointed by BT based on nominations by trade unions.



Employer nominated Trustee directors

Four 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

19. 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 82 simplistically illustrates how the use of some of these derivatives adjusts outcomes for the BTPS.

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

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

Group income statement

The expense arising from the group's retirement benefit arrangements as recognised in the group income statement is shown below.

Year ended 31 March	2026 £m	2025 £m
Recognised in the income statement before specific items (note 6)		
Current service cost:		
– DB plans ^a	7	12
– DC plans	283	305
DB administration expenses and PPF levy	18	16
Subtotal	308	333
Recognised in the income statement as specific items (note 9)		
Interest on pensions deficit	191	197
Subtotal	191	197
Total recognised in the income statement	499	530

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

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.

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

^a Figures shown net of a £2m (FY25: £3m) adjustment in relation to IFRIC 14 (i.e. an adjustment made to reflect surplus that cannot be recovered). With the exception of some of the group's smaller plans, the group is not required to limit any pension surplus or recognise additional pension liabilities in individual plans as economic benefits are available in the form of either future refunds or reductions to future contributions or expense payments. The trustees of the BTPS and EEPS cannot unilaterally enhance benefits or wind-up the scheme so surplus assets would be available to the company as a refund following the gradual payment of members' benefits.

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

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

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Movements in defined benefit plan assets and liabilities

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

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

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

19.4 Asset valuations for IAS 19

BTPS IAS 19 assets

Critical accounting estimates and significant judgements made when valuing the BTPS assets

Under IAS 19, plan assets are measured at fair value at the balance sheet date and include quoted and unquoted investments. The main assumptions impacting the asset values are: bond yields, credit spreads, inflation expectations, and life expectancy (see sensitivities for key assumptions in section 20.7).

Valuation approach for main quoted investments

- Equities listed on recognised stock exchanges are valued at closing bid prices.
- Bonds that are regularly traded are valued using broker quotes, based on sale/bid prices.
- Exchange traded derivative contracts are valued based on closing bid prices.

Valuation approach for main unquoted investments

A portion of unquoted investments are valued based on inputs that are not directly observable, which require more judgement. The assumptions used in valuing unquoted investments are affected by market conditions.

- Equities are valued using the International Private Equity and Venture Capital (IPEVC) guidelines where the most significant assumptions are the discount rate and earnings assumptions.
- Property investments are valued on the basis of open market value by an independent valuer using Royal Institution of Chartered Surveyors (RICS) guidelines. The significant assumptions used in the valuation are rental yields and occupancy rates.
- Bonds that are not regularly traded are valued by an independent valuer using pricing models making assumptions for credit risk, market risk and market yield curves.
- Holdings in investment funds are typically valued at the Net Asset Value provided by the fund administrator or investment manager. The significant assumption used in the valuation is the Net Asset Value.
- Infrastructure investments are valued by an independent valuer using a model-based valuation such as a discounted cash flow approach, or at the price of recent market transactions if they represent fair value. Where a discounted cash flow model is used, the significant assumptions used in the valuation are the discount rate and the expected cash flows.
- Over the counter derivatives are valued by an independent valuer using cash flows discounted at market rates. The significant assumptions used in the valuation are the yield curves and cost of carry.
- Through the four longevity swaps held, approximately half of the scheme's liabilities are hedged against longevity risk (as determined by the BTPS Scheme Actuary and not audited). The longevity swaps are valued by discounting the fixed cash flows payable by the BTPS, and the floating cash flows payable by the insurers (consistent with the approach used to value the collateral, which vary by contract). The significant assumptions used to value the assets are the discount rate (set as a margin above a risk-free rate to reflect credit and liquidity risk) and mortality assumptions.

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

Asset-Backed Funding (ABF) arrangement

The ABF arrangement, issued to the BTPS in May 2021, has a fair value of £1.1bn at 31 March 2026 (FY25: £1.1bn) calculated as the present value of the future stream of payments, allowing for the probability of the BTPS becoming fully funded and therefore the payments to the BTPS ending early. It is not recognised as a pension asset when measuring the group's IAS 19 net defined benefit liability as it is a non-transferable financial instrument issued by the group.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Co-investment vehicle

A co-investment vehicle was set up in 2021 which provides BT Group with some protection against the risk of overfunding and therefore enables BT Group to provide upfront funding with greater confidence. BT Group is eligible for future refunds if some or all of the co-investment vehicle funds are surplus to the BTPS's requirements, unless the BTPS, acting prudently but reasonably, decides to defer or reduce these payments. Assessments will be carried out over a series of dates between June 2032 and June 2041.

Payments made by BT Group into the vehicle will be invested as if part of the overall BTPS investment strategy. BT Group will receive tax relief in respect of any funds paid to the BTPS from the vehicle but does not receive tax relief when payments are made to the co-investment vehicle.

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

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

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

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

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

BTPS IAS 19 assets

The table below analyses the fair value of the BTPS assets by asset category, subdivided by valuations based on a quoted market price in an active market, and those that are not (such as investment funds).

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

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

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

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

^d This allocation consists of assets which aim to provide the BTPS with contractual bond-like income, often inflation-protected. The assets include property, infrastructure and investment-grade private credit.

^e This allocation includes a range of credit investments, including emerging market, sub-investment grade and unrated credit. The allocation seeks to exploit investment opportunities within credit markets using the expertise of a range of specialist investment managers.

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

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

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

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

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

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

19.5 Liability valuations for IAS 19

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

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

BTPS IAS 19 Liabilities

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

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

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

While the financial assumptions used for other schemes are scheme-specific, the average financial assumptions weighted by liabilities across all schemes are within 0.05% of the figures shown in the table above.

The table below summarises how these assumptions have been set, including key changes over the year.

Detail	
Discount rate	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 discount rate model has been refined to include bonds callable within one year of maturity to enhance the robustness of the bond universe. This refinement primarily reflects the changing composition of the corporate bond market over recent years. The impact of the change at 31 March 2026 leads to an increase of c.10bps in the discount rate (c. £0.3bn decrease in liability). The increase in the discount rate over the year also 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 (FY25: 0.2% and 0.4% 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 0.9% lower than RPI inflation (FY25: 1.1%). RPI will be aligned with CPIH from 2030, and we assume a 0.1% (FY25: 0.1%) gap between CPI and CPIH inflation. The change in the expected difference between RPI and CPI for FY26 has increased the BTPS liabilities by £0.1bn.
Pension increases	Under the BTPS rules, benefits increase prior to retirement primarily with reference to CPI capped at 5%, and the majority of benefits increase after retirement linked to either CPI for Sections A and B or RPI with a 5% cap for Section C. Benefits are assumed to increase in line with the RPI or CPI inflation assumptions.
Longevity	The longevity assumption takes into account: – the actual mortality experience of the BTPS pensioners, based on a formal review carried out for the 2023 triennial funding valuation; and – future improvements in longevity based on the CMI's 2024 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, 2023 and 2024 but not data from 2020 and 2021 to exclude the impact of the pandemic. Allowing for the published 2024 CMI model has increased the BTPS liabilities by £0.3bn. We continue to assume mortality will improve in the long term by 1.0% per year.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

19.6 Funding and Financial Support arrangements for the BTPS

Triennial funding valuation

A funding valuation is carried out for the Trustee by a professionally qualified independent actuary at least every three years. The funding valuation assesses the on-going financial health of the BTPS. If there are insufficient assets to meet the estimated future benefit payments to members (i.e. a funding deficit), BT Group and the Trustee agree the amount and timing of additional cash contributions. It is prepared using the principles set out in UK pension legislation, such as the 2004 and 2021 Pensions Acts, and uses a prudent approach overall when setting the actuarial assumptions. Some of the key differences compared to the IAS 19 deficit are set out in the table below.

	IAS 19	Funding
Purpose	Balance sheet in BT Group accounts	Assessing the on-going financial health and setting cash payments
Regulation	IFRS	UK pensions legislation
Frequency	Semi-annually	At least every three years
Key assumptions		
Determined by	BT Group	BT Group and BTPS agreement
Discount rate	Yield curve based on AA corporate bonds	Yield curve reflecting prudent return expected from BTPS assets
Other assumptions	Best estimate	Prudent overall approach
Assets	BT Group accounts excludes ABF value	Includes ABF value

The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and deficit.

The latest funding valuation was performed as at 30 June 2023. The next funding valuation will have an effective date of no later than 30 June 2026.

The results of the two most recent triennial valuations are shown below.

	30 June 2023 £bn	30 June 2020 £bn
Funding liabilities	(40.9)	(65.3)
Assets	37.2	57.3
BTPS Funding deficit	(3.7)	(8.0)
Percentage of accrued benefits covered by the BTPS assets at valuation date	91%	88%

Key assumptions at valuation date:

Discount rate ^a	5.3%	1.4%
Inflation – RPI	3.6%	3.2%
Inflation – CPI	3.2%	2.4%
Life expectancy – male aged 60 in lower pension bracket	25.5 years	25.8 years
Life expectancy – male aged 60 in higher pension bracket	27.2 years	28.0 years
Life expectancy – female aged 60	28.0 years	28.5 years
Average additional life expectancy for a male member retiring at age 60 in 10 years' time	0.8 years	0.9 years

^a The discount rate has been derived from prudent return expectations that reflect the investment strategy over time, allowing for the BTPS to de-risk to a portfolio consisting predominantly of bond and bond-like investments by 2034.

Deficit payments from the group

In November 2023, the 2023 triennial funding valuation was finalised, agreed with the Trustee, and certified by the Scheme Actuary. The funding deficit at 30 June 2023 was £3.7bn, down from £8.0bn at the 2020 funding valuation following £4.4bn of deficit contributions.

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

No payments are currently payable under the future funding commitment (see page 81).

These payments are summarised in the table below.

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

^a Payments are due by 30 April each year.

^b £10m is directly payable to the BTPS, and BT Group currently intends to pay the balance into the co-investment vehicle.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

ABF

Under the ABF, £180m p.a. is paid into the BTPS until June 2033, secured on EE Limited. If the BTPS reaches full funding as calculated by the Scheme Actuary at any 30 June, the ABF payments to the BTPS will cease. BT Group received tax relief at inception of the ABF based on the original market value of £1.7bn, and will receive further tax-relief if payments are made to the BTPS in excess of this amount.

Assuming they are all paid, future payments from the ABF have a present value of £1.1bn at 31 March 2026 (FY25: £1.2bn). The fair value of the ABF is £1.1bn at 31 March 2026 (FY25: £1.1bn). This value allows for the probability of the BTPS becoming fully funded, and the payments to the BTPS ending early.

The fair value of the ABF is included in the assets of the BTPS when assessing the funding deficit. Payments from the ABF to the BTPS are treated in the same way as coupon and redemption income received on bonds held by the BTPS, and do not affect the funding deficit when they are paid.

The fair value of the ABF is not included in the assets of the BTPS when assessing the IAS 19 deficit in the group consolidated accounts, as it is a non-transferable asset issued by the group. Payments from the ABF to the BTPS are treated as deficit contributions, and reduce the IAS 19 deficit, when they are paid.

Co-investment vehicle

A co-investment vehicle was set up in 2021 which provides BT Group with some protection against the risk of overfunding and therefore enables BT Group to provide upfront funding with greater confidence. BT Group is eligible for future refunds if some or all of the co-investment vehicle funds are surplus to the BTPS's requirements, unless the BTPS, acting prudently but reasonably, decides to defer or reduce these payments. Assessments will be carried out over a series of dates between June 2032 and June 2041.

Payments made by BT Group into the vehicle will be invested as if part of the overall BTPS investment strategy. BT Group will receive tax relief in respect of any funds paid to the BTPS from the vehicle but does not receive tax relief when payments are made to the co-investment vehicle.

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

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

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

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

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

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

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

Protections for BTPS (going concern)

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

Feature	Detail
Future funding commitment	BT Group will provide additional contributions, of between £150m p.a. and £300m p.a., should the funding deficit fall behind plan by more than an agreed threshold at any two consecutive reviews. The reviews will be carried out every June and December and until the 2026 valuation the threshold is £1bn. Payments are due within 12 months of the payments being switched on. Payments will stop once the semi-annual assessment shows the funding deficit is back on plan, i.e. outstanding deficit contributions are sufficient to address the funding deficit. At the 31 December 2025 assessment date, additional contributions were not triggered. The next test will be carried out as at 30 June 2026.
Shareholder distributions	BT Group will provide additional payments to the BTPS by the amount that shareholder distributions exceed a threshold. For the three years following the 2023 valuation, the threshold allows for 10% per year dividend per share growth based on dividends of 7.7p per share in FY23, adjusted to reflect the interim dividend declared at our 30 September 2023 results. BT Group has agreed to implement a similar protection at each subsequent valuation, with the terms to be negotiated at the time. BT Group will consult with the Trustee if: – it considers share buybacks for any purpose other than relating to employee share awards; – it considers making any shareholder distributions in any of the next three years if annual normalised free cash flow of the group is below £1bn in the year and distributions within the year would be in excess of 120% of the above threshold; or – it considers making a special dividend.
Material corporate events	In the event that BT Group generates net cash proceeds greater than a threshold from disposals (net of acquisitions) in any financial year, BT Group will make additional contributions to the BTPS. The threshold is £750m p.a. to 30 June 2026. The amount payable is one third of the total net cash proceeds. BT Group will consult with the Trustee if: – it considers making acquisitions with a total cost of more than £1.0bn in any 12-month period; – it considers making any disposal of more than £1.0bn; – it considers making a significant transaction which will have a material impact on the BTPS (acquisition or disposal); – it is likely to be subject to a takeover offer; or – there are any other corporate or third-party events which may have a materially detrimental impact on BT Group's covenant to the BTPS (in which case BT Group will use its best endeavours to agree appropriate mitigation). This obligation is ongoing until otherwise terminated.
Negative pledge	A negative pledge that future creditors will not be granted superior security to the BTPS in excess of £0.5bn, to cover any member of the BT Group. Business as usual financing arrangements are not included within the £0.5bn.

No additional contributions were triggered during FY26.

Protections for BTPS (insolvency)

The Scheme Actuary assumes that in the highly unlikely event that BT Group were to become insolvent, the Trustee would continue to run the Scheme with a low-risk, closely-matched investment strategy including additional margins for risk. On this basis and assuming no further contribution from BT Group, it was estimated that at 30 June 2023 the assets of the BTPS would have met around 80% of the liabilities.

Were this to occur, BTPS members would benefit from the following additional protections.

Feature	Detail
Crown Guarantee	The Crown Guarantee was granted by the Government when BT was privatised in 1984; it would only come into effect upon the insolvency of BT plc. In July 2014, the courts established that: – the Crown Guarantee covers BT plc's funding obligation in relation to the benefits of members of the BTPS who joined post-privatisation as well as those who joined pre-privatisation (subject to certain exceptions); and – the funding obligation to which the Crown Guarantee relates is measured with reference to BT plc's obligation to pay deficit contributions under the rules of the BTPS. The Crown Guarantee is not taken into account for the purposes of the actuarial valuation of the BTPS and is an entirely separate matter, only being relevant in the highly unlikely event that BT plc becomes insolvent.
Pension Protection Fund (PPF)	Further protection is also provided by the PPF which is the fund responsible for paying compensation in respect of schemes where the employer becomes insolvent.

19.7 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.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

– **Legislative risk** – changes in legislation or regulation could impact the value of the liabilities or assets.

Quantifying funding and balance sheet risk

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

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

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

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

^a Scenario assumes a fall in the yields on both government and corporate bonds.

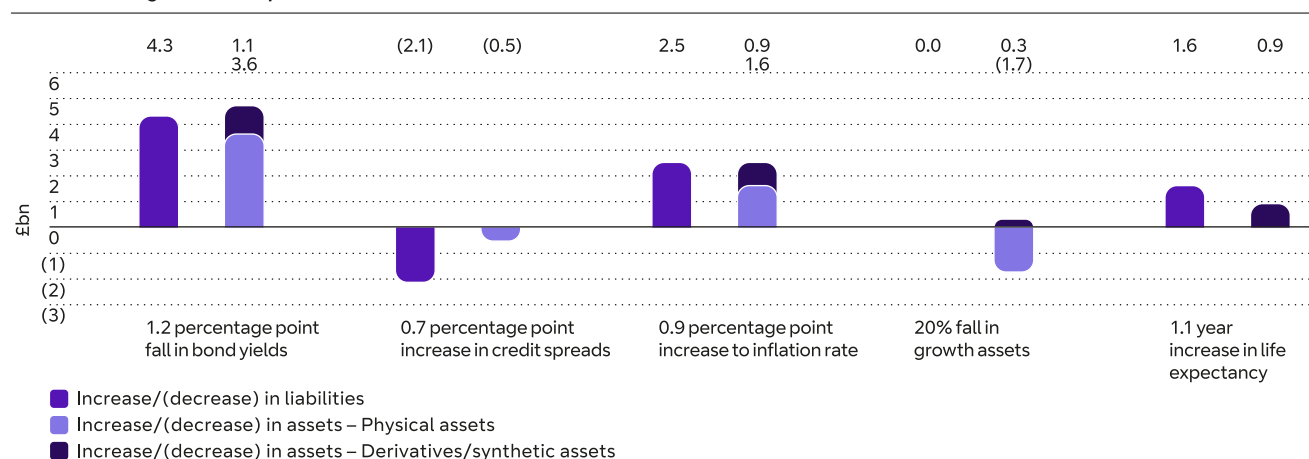
^b Scenario assumes an increase in the yield on corporate bonds, with no change to yield on government bonds.

^c Scenario assumes average RPI and CPI inflation expectations over the lifetime of the plan increase by the same amount.

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

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

Scenario analysis – IAS 19 position at 31 March 2026



The sensitivities have been prepared using the same approach as FY25 which involves calculating the liabilities and assets allowing for the change in market conditions assumed under the scenario as if they had occurred at the reporting date. The change in impact from FY25 is due to a combination of: change in scenarios, changes in asset and liability values over the year, and changes in the BTPS's investment strategy in line with the agreed de-risking plan.

Considerations when using sensitivities

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

- Changes in the asset portfolio or hedges: the BTPS typically aims to hedge 90%-100% of interest rate and inflation risk (on a funding measure) and the actual hedge ratio could vary over the year within this range.

Notes to the consolidated financial statements continued

19. Retirement benefit plans continued

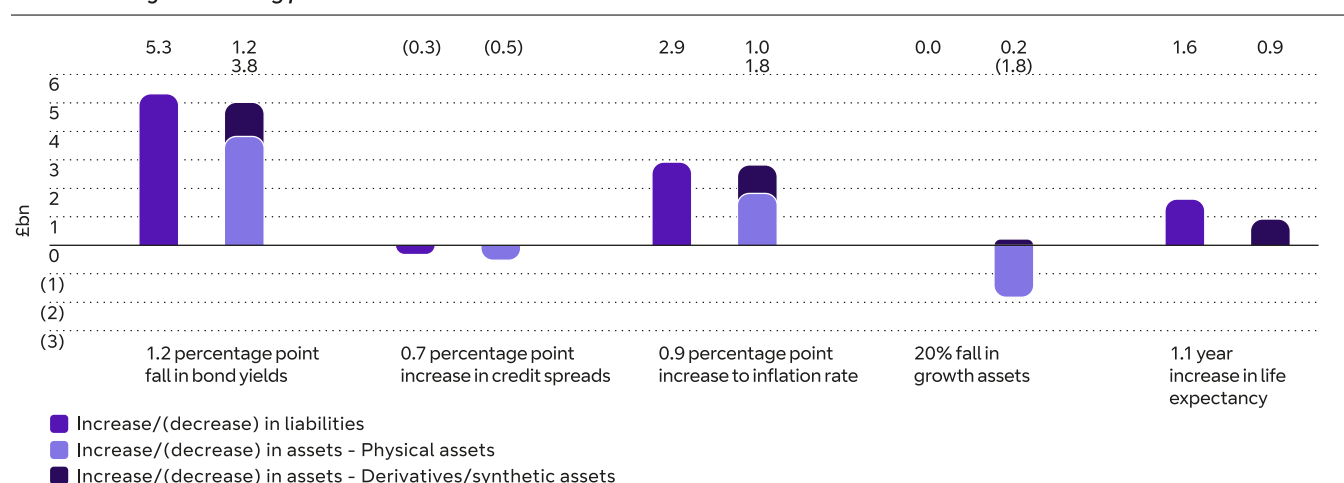
- Credit mismatch: the IAS 19 liabilities are calculated using a discount rate set with reference to the yield on AA rated corporate bonds. The corporate bonds held by the BTPS may have a different credit rating or duration to that of the discount rate.
- Use of market indices: movements in market indices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

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

Scenario analysis of the funding position (unaudited)

The impact of changes in market conditions on the funding liabilities differs to the impact on the IAS 19 liabilities due to the size of the liabilities and how the assumptions are set. For example, the funding liabilities use a discount rate linked to a risk-free rate plus a margin based on the BTPS's investment strategy, whereas the IAS 19 liabilities use a discount rate based on corporate bond yields. The chart below illustrates the approximate impact of the scenarios set out above on the 30 June 2025 funding position. Note the same limitations as outlined above apply to these sensitivities.

Scenario analysis – Funding position at 30 June 2025



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

19.8 Funding and Financial Support arrangements for the EEPS

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

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

20. 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.

Notes to the consolidated financial statements continued

20. Share-based payments continued

Year ended 31 March	2026 £m	2025 £m
Employee saveshare plans	2	7
Yourshare	—	2
Executive share plans:		
Deferred Bonus Plan (DBP)	4	8
Restricted Share Plan (RSP)	40	42
	46	59

What share incentive arrangements do we have?

Our plans include savings-related share option plans for employees and those of participating subsidiaries and several share plans for executives. All share-based payment plans are equity-settled. Details of these plans are set out below.

Employee Saveshare Plans

Under HMRC-approved savings-related share option plans, employees save on a monthly basis, over a three- or five-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price for five-year plans and 10% for three-year plans. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse. Similar plans operate for our overseas employees. The scheme has not operated since FY21.

Yourshare

In FY21 and FY22, all eligible employees of the group were awarded £500 of BT shares. The shares are held in trust for a minimum period of three years, after which they are available to employees.

Deferred Bonus Plan (DBP)

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

Restricted Share Plan (RSP)

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

Notes to the consolidated financial statements continued

20. 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	
	2026 millions	2025 millions	2026 pence	2025 pence
Outstanding at 1 April	118	156	82	96
Granted	—	—	—	—
Forfeited	—	(5)	82	107
Exercised	(117)	(7)	82	82
Expired	(1)	(26)	90	161
Outstanding at 31 March	—	118	—	82
Exercisable at 31 March	—	—	—	—

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

Executive share plans

Movements in executive share plan awards are shown below:

	Number of shares (millions)		
	DBP	RSP	Total
At 1 April 2024	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
Awards granted	2	25	27
Awards vested	(7)	(24)	(31)
Awards lapsed	(1)	(13)	(14)
Dividend shares reinvested	1	3	4
At 31 March 2026	12	94	106

Fair values

The fair values for the DBP and RSP were determined using the market price of the shares at the grant date. The weighted average share price for DBP awards granted in FY26 was 188p (FY25: 140p) and for RSP awards granted in FY26 was 188p (FY25: 140p).

21. Divestments and assets & liabilities classified as held for sale

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

We classify non-current assets or a group of assets and associated liabilities, together forming a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. A sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs of disposal. Intangible assets, property, plant and equipment and right-of-use assets classified as held for sale are not depreciated or amortised.

Upon completion of a divestment, we recognise a profit or loss on disposal calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest less costs incurred in disposing of the asset or disposal group, and (ii) the carrying amount of the asset or disposal group (including goodwill). The profit or loss on disposal is recognised as a specific item, see note 9.

In the event that non-current assets or disposal groups held for sale form a separate and identifiable major line of business, the results for both the current and comparative periods are reclassified as 'discontinued operations'.

Notes to the consolidated financial statements continued

21. Divestments and assets & liabilities classified as held for sale continued

Significant judgements in assessment of assets held for sale

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

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

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

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

Impairment on remeasurement of disposal groups held for sale

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

Divestments

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

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

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

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

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

Assets and liabilities held for sale

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

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

Notes to the consolidated financial statements continued

21. Divestments and assets & liabilities classified as held for sale continued

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

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

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

22. Investments

Material accounting policies that apply to investments

Investments classified as amortised cost

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

Equity instruments classified as fair value through other comprehensive income

We have made an irrevocable election to present changes in the fair value of equity investments that are not held for trading in other comprehensive income. All gains or losses, aside from dividends, are recognised in other comprehensive income and are not reclassified to the income statement when the investments are disposed of, instead any balance remaining in other comprehensive income is transferred to retained earnings. Dividends are recognised in the income statement when our right to receive payment is established. Equity investments are recorded in non-current assets unless they are expected to be sold within one year.

At 31 March	2026 £m	2025 £m
Non-current assets		
Fair value through other comprehensive income	20	17
Amounts owed by ultimate parent and parent company	12,415	12,438
Total non-current asset investments	12,435	12,455
Current assets		
Investments held at amortised cost	1,482	2,631
Current asset investments	1,482	2,631

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

Fair value estimation

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

Notes to the consolidated financial statements continued

22. Investments continued

The three levels of valuation methodology used are:

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

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

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

Level 3 balances consist of investments classified as fair value through other comprehensive income of £20m (FY25: £17m) which represent investments in a number of private companies. If specific market data is not available, these investments are held at cost, adjusted as necessary for impairments, which approximates to fair value. Additionally, this category also includes investments in preference shares in Sports JV and power purchase agreements, for further details see notes 23 and 27.

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

23. Joint ventures and associates

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

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

Sports JV

In FY23, the group formed a sports joint venture with WBD, known externally as TNT Sports, which combined BT Sport and WBD's Eurosport UK business. As part of the transaction, the group's wholly owned subsidiary, British Telecommunications plc (BT plc or BT) and WBD each contributed, sub-licensed or delivered the benefit of their respective sports rights and distribution businesses for the UK & Ireland to the Sports JV. Both parties each hold a 50% interest and equal voting rights in the Sports JV.

WBD have the option to acquire BT plc's 50% interest in the Sports JV at specified period during FY27 (Call Option). The price payable under the Call Option will be 50% of the fair market value of the Sports JV, to be determined at the time of the exercise, plus any unpaid fixed consideration and remaining earn-out as described below. If the Call Option is not exercised, BT plc will have the ability to exit its shareholding in the Sports JV either through a sale or IPO after the initial four-year period.

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

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

Material accounting policies that apply to the Sports JV

Assessment of whether BT has joint control over the Sports JV

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

Key factors relevant to our assessment:

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

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

Measurement of BT's equity interest in the Sports JV

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

Measurement of investment in A preference shares

BT will receive an earn-out from the Sports JV (subject to liquidity and usual UK company law requirements). The earn-out cash flows to BT are dependent on the cash profit generation of the Sports JV over the earn-out period and is therefore akin to contingent consideration, initially recorded at fair value reflecting the present value of expected cash flows.

Subsequent to the initial recognition, the group's carried forward investment in A preference shares are remeasured to fair value at each reporting date.

Notes to the consolidated financial statements continued

23. Joint ventures and associates continued

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

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

BT's obligation under the minimum revenue guarantee represents both a trading arrangement on market terms, and a financing arrangement for the off-market element of the revenue guarantee, which has been recognised as a financial liability initially recorded at fair value. The liability is subsequently measured at amortised cost and held within trade and other payables on the balance sheet (see note 17). The carrying amount at 31 March 2026 was £101m (FY25: £288m) after payments made to the Sports JV.

Accounting policies adopted by the Sports JV

In order to recognise our share of the Sports JV's results for our equity-accounted investment, we have prepared the Sports JV's financial information for the year ended 31 March 2026 after making certain adjustments to comply with IFRS and align with accounting policy choices made by BT.

The following were judgements made in the preparation of the Sports JV's financial information:

- IFRS 3 acquisition accounting should be applied by the Sports JV over the business combination achieved through the transfer of the BT Sport and Eurosport UK businesses from BT and WBD respectively, recognising acquired intangibles on the current and future value of programme rights, and goodwill.
- Revenues from the minimum guarantee in the Sports JV's distribution agreement with BT should be adjusted to reflect a trading agreement on market terms with a separate financing arrangement for the off-market portion accounted for under IFRS 9 – this mirrors the accounting treatment applied by BT.
- A and C preference shares issued by the Sports JV to BT should be classified as a financial liability at fair value through profit or loss under IFRS 9, as cash flows of the liability can be modified by both financial and non-financial factors that are not closely related to the instrument itself.
- Hedge accounting should be applied on the Sports JV's forward contracts with BT (see note 30) with fair value movements on the derivatives recognised in other comprehensive income and held in the cash flow hedge reserve until these are recycled on settlement of the forward contracts.
- Programme rights should be recognised on the balance sheet from the point at which the licence period begins and are consumed by the Sports JV on a straight-line basis over the programming period which is generally 12 months. This is consistent with accounting policy applied in our previous BT Sport operations that have been transferred to the Sports JV.

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

Key accounting estimates made in accounting for the Sports JV

Valuation of investment in A preference shares

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

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

The preference shares are held at Level 3 on the fair value hierarchy, reflecting a valuation methodology that does not use inputs based on observable market data – see note 22 for further details on the fair value hierarchy. Changes in key assumptions and inputs could result in changes in fair value.

Valuation of BT's equity interest in the Sports JV

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

Notes to the consolidated financial statements continued

23. Joint ventures and associates continued

Ordinary equity shares

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

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

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

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

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

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

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

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

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

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

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

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

^d Includes current financial liabilities (excluding trade and other payables and provisions) of £198m (FY25: £222m) of which £91m (FY25: £46m) relates to the outstanding liability on the RCF provided by BT (see note 30).

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

The Sports JV had a loss after tax for the year of £496m, after adjustments made to align with the group's accounting policies, and reflects the impairment of assets held by the JV during the period (see above). Underlying trading before these adjustments was profitable. In addition, the Sports JV had other comprehensive income of £26m relating to fair value movements on its foreign exchange hedging arrangement with the group (see note 30) that have been designated as cash flow hedges. As noted above, we have capped the recognition of BT's share of total comprehensive loss as our net investment reached zero and no current obligation to fund the Sports JV exists.

Notes to the consolidated financial statements continued

23. Joint ventures and associates continued

Preference shares

In addition to BT's ordinary shareholding, BT held the following investments in preference shares in the Sports JV that have not been included within the equity-accounted interest above.

At 31 March	2026 £m	2025 £m
Investment in A preference shares	107	242
Investment in C preference shares	175	153
Total	282	395

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

24. 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 25).

At 31 March	2026 £m	2025 £m
Cash at bank and in hand	165	134
Cash equivalents		
Bank deposits	187	75
Total cash equivalents	187	75
Total cash and cash equivalents per the balance sheet	352	209
Bank overdrafts (note 25)	(3)	(2)
Cash and cash equivalents per the cash flow statement	349	207

The majority of cash at bank balance was held at counterparties with a credit rating of A2/A or above. Cash and cash equivalents include restricted cash of £123m (FY25: £33m), of which £11m (FY25: £17m) was held in countries where local capital or exchange controls currently prevent us from accessing cash balances. The remaining balance of £112m (FY25: £16m) was held in escrow accounts, or in commercial arrangements akin to escrow.

Notes to the consolidated financial statements continued

25. Loans and other borrowings

Material accounting policies that apply to loans and other borrowings

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

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 22.

The table below shows the key components of gross debt and of the decrease of £694m this year.

	At 31 March 2025 £m	Cash flows £m	Net lease additions ^a £m	Foreign exchange £m	Transfer to within one year £m	Other movements ^b £m	At 31 March 2026 £m
Loans and other borrowings due within one year ^c	2,092	(1,739)	—	(36)	43	60	420
Loans and other borrowings due after one year	16,670	434	—	184	(43)	871	18,116
Total loans and other borrowings	18,762	(1,305)	—	148	—	931	18,536
Lease liabilities due within one year	705	(864)	—	—	938	—	779
Lease liabilities due after one year	3,866	—	480	(3)	(938)	—	3,405
Lease liabilities classified as held for sale	81	—	—	1	—	(82)	—
Total lease liabilities	4,652	(864)	480	(2)	—	(82)	4,184
Gross debt	23,414	(2,169)	480	146	—	849	22,720

	At 31 March 2024 £m	Cash flows £m	Net lease additions ^a £m	Foreign exchange £m	Transfer to within one year £m	Other movements ^b £m	At 31 March 2025 £m
Loans and other borrowings due within one year ^c	1,395	(2,190)	—	15	2,744	128	2,092
Loans and other borrowings due after one year	17,131	1,758	—	(234)	(2,744)	759	16,670
Total loans and other borrowings	18,526	(432)	—	(219)	—	887	18,762
Lease liabilities due within one year	766	(874)	—	—	813	—	705
Lease liabilities due after one year	4,189	—	496	(6)	(813)	—	3,866
Lease liabilities classified as held for sale	—	—	—	—	—	81	81
Total lease liabilities	4,955	(874)	496	(6)	—	81	4,652
Gross debt	23,481	(1,306)	496	(225)	—	968	23,414

^a Net lease additions are net non-cash movements in lease liabilities during the period, and primarily comprise new and terminated leases, remeasurements of existing leases and lease interest charges.

^b Other movements in gross debt include movements relating to accrued interest, amortisation of transaction costs, fair value adjustments and held for sale assets and liabilities (see note 21).

^c Includes accrued interest and bank overdrafts.

Notes to the consolidated financial statements continued

25. Loans and other borrowings continued

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

At 31 March	2026 £m	2025 £m
0.5% €419m bond due September 2025	—	351
1.75% €1,076m bond due March 2026	—	901
1.5% €1,150m bond due June 2027 ^a	1,015	971
2.75% €700m bond due August 2027 ^b	—	590
2.125% €500m bond due September 2028 ^a	441	422
5.125% \$700m bond due December 2028 ^a	538	550
5.75% £600m bond due December 2028	638	649
1.125% €750m bond due September 2029 ^a	656	627
3.25% \$1,000m bond due November 2029 ^a	765	780
9.625% \$2,670m bond due December 2030 ^a (minimum 8.625% ^c)	2,078	2,122
3.75% €800m bond due May 2031 ^a	720	690
3.125% £500m bond due November 2031	504	504
3.125% €850m bond due February 2032 ^a	740	708
3.375% €500m bond due August 2032 ^a	443	424
3.375% €850m bond due November 2032 ^a	747	—
4.25% €850m bond due January 2033 ^a	743	710
4.713% NOK1,000m bond due March 2033 ^a	78	—
3.64% £330m bond due June 2033	339	339
1.613% £330m index linked bond due June 2033	417	403
3.875% €895m bond due January 2034 ^a	784	750
3.75% €700m bond due January 2035 ^{a,d}	589	—
6.375% £500m bond due June 2037	523	523
3.883% £330m bond due June 2039	340	340
1.739% £330m index linked bond due June 2039	417	404
5.75% £450m bond due February 2041 ^{a,d}	435	446
5.625% £350m bond due December 2041 ^{a,d}	342	351
3.924% £340m bond due June 2042	350	350
1.774% £340m index linked bond due June 2042	430	416
2.08% ¥10,000m bond due February 2043 ^a	48	52
3.625% £250m bond due November 2047	251	251
4.25% \$500m bond due November 2049 ^a	383	388
5.125% €750m hybrid bond due October 2054 ^{a,e}	667	638
6.375% £400m hybrid bond due December 2055 ^e	405	—
1.874% €500m hybrid bond due August 2080 ^f	—	423
4.250% \$500m hybrid bond due November 2081 ^{a,e}	380	391
4.875% \$500m hybrid bond due November 2081 ^{a,e}	384	393
8.375% £700m hybrid bond due December 2083 ^e	713	711
Total listed bonds	18,303	18,568
Loans related to cash flows related to the sale of contract assets ^g	42	87
Loans related to the forward sale of redundant copper	177	93
Other loans	1	2
Amounts owed to joint ventures	10	10
Bank overdrafts (note 24)	3	2
Total other loans and borrowings	233	194
Total loans and other borrowings	18,536	18,762

^a Designated in a cash flow hedge relationship.

^b Redeemed under call option in March 2026.

^c The interest rate payable on this bond attracts an additional 0.25% for rating category downgrade by either Moody's or Standard & Poor's to the group's senior unsecured debt below A3/A- respectively. In addition, if Moody's or Standard & Poor's subsequently increase the ratings then the interest rate will be decreased by 0.25% for each rating category upgrade by either rating agency. In no event will the interest rate be reduced below the minimum rate reflected in the above table.

^d Designated in a fair value hedge relationship.

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

^f Redeemed under call option in May 2025.

^g Performance obligations have been substantially delivered to the customer in relation to these cash flows related to contract assets that have been sold but the right to receive cash is dependent on the group's future performance in relation to airtime and so a financial liability has been recognised. The related cash flows have been included within financing activities in the cash flow statement and the related cash flows from the customers remain classified as operating cash flows. £42m (FY25: £87m) of the liability relates to sales of cash flows related to contract assets and so is removed from our net debt measure.

Unless previously or currently designated in a fair value hedge relationship, all loans and other borrowings are carried on our balance sheet and in the table above at amortised cost. The fair value of listed bonds and other loans and borrowings is £17,778m (FY25: £18,132m) and £237m (FY25: £197m) respectively.

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

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

Notes to the consolidated financial statements continued

25. Loans and other borrowings continued

Loans and other borrowings are analysed as follows:

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

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

The carrying values disclosed in the above table reflect balances at amortised cost adjusted for accrued interest and fair value adjustments to the relevant loans or borrowings. These do not reflect the final principal repayments that will arise after taking account of the relevant derivatives in hedging relationships which are reflected in the table below. All borrowings as at 31 March 2026 were unsecured.

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

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

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

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

26. Finance expense and income

Year ended 31 March	2026 £m	2025 £m
Finance expense		
Interest on:		
Financial liabilities at amortised cost and associated derivatives	830	916
Lease liabilities	133	135
Derivatives	—	(2)
Fair value movements:		
Bonds designated as hedged items in fair value hedges	(42)	1
Derivatives designated as hedging instruments in fair value hedges	42	(1)
Derivatives not in a designated hedge relationship	(2)	(1)
Reclassification of cash flow hedge from other comprehensive income	171	51
Interest on tax balances	48	—
Unwinding of discount on provisions and other payables	26	19
Interest expense on loan to ultimate parent company	2	—
Total finance expense before specific items	1,208	1,118
Specific items (note 9)	191	197
Total finance expense	1,399	1,315

Notes to the consolidated financial statements continued

26. Finance expense and income continued

Year ended 31 March	2026 £m	2025 (re-presented) ^a £m
Finance income		
Interest on financial assets at amortised cost	91	134
Interest on tax balances ^a	52	15
Other finance income ^a	3	2
Interest income on loans to immediate and ultimate parent company	651	747
Total finance income	797	898

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

Year ended 31 March	2026 £m	2025 £m
Net finance expense before specific items	411	220
Specific items (note 9)	191	197
Net finance expense	602	417

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

How do we manage financial risk?

Our activities expose us to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and energy price risk), liquidity risk and credit risk.

Treasury operation

We have a centralised treasury operation whose primary role is to manage liquidity and funding requirements as well as our exposure to associated market risks and credit risk.

Treasury policy

Treasury policy is set by the 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 2026 and the date of approval of these financial statements.

How do we manage interest rate risk?

Management policy

Interest rate risk arises primarily from our long-term borrowings. Interest cash flow risk arises from borrowings issued at variable rates, partially offset by cash held at variable rates. Fair value interest rate risk arises from borrowings issued at fixed rates.

Our policy, as set by the BT Group plc Board, is to ensure that at least 70% of ongoing net financial 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 Director of Corporate Finance 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 Director of Corporate Finance 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.

Notes to the consolidated financial statements continued

27. Financial instruments and risk management continued

We enter into forward currency contracts to hedge foreign currency capital purchases, purchase and sale commitments, interest expense, labour cost and foreign currency investments. The commitments hedged are principally denominated in US dollars, euros, Indian rupees and Hungarian forints. As a result, our exposure to foreign currency arises mainly on non-UK subsidiary investments and on residual currency trading flows.

We use cross-currency swaps to swap foreign currency borrowings into sterling. The table below reflects the currency and interest rate profile of our loans and borrowings after the impact of hedging.

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

The floating rate loans and other borrowings bear interest rates with reference to CPI and Alternative Reference Rates where applicable.

Sensitivity analysis

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

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

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

At 31 March	2026 £m Increase (reduce)	2025 £m Increase (reduce)
Sterling interest rates	446	509
US dollar interest rates	(211)	(258)
Euro interest rates	(367)	(350)
Sterling strengthening	(149)	(137)
Energy prices	24	26

A 1% decrease in interest rates, 10% weakening of sterling against other currencies and 10% decrease in energy prices would have broadly the same impact in the opposite direction.

The impact of a 1% change in interest rates on the group's annual net finance expense would have been a decrease of £107m (FY25: £127m). 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 FY26 and FY25.

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 £2.0bn at 31 March 2026, our finance expense would increase/decrease by approximately £10m a year if BT Group plc'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:

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

Notes to the consolidated financial statements continued

27. Financial instruments and risk management continued

How do we manage energy price risk?

Management policy

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

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

Hedging strategy

In each financial year, our electricity hedging strategy is underpinned by our existing PPA and vPPA portfolio. This is further complemented by forward electricity purchases in the wholesale markets when conditions are favourable, including selective use of near-term spot markets. In the forthcoming financial year ending 31 March 2027 the aim is to be 95% hedged, which allows for headroom for increased outputs from the renewable sources should weather conditions prevail.

How do we manage liquidity risk?

Management policy

We maintain liquidity by entering into short- and long-term financial instruments to support operational and other funding requirements, determined by using short- and long-term cash forecasts. These forecasts are supplemented by a financial headroom analysis which is used to assess funding adequacy for at least a 12-month period. On at least an annual basis the BT Group plc Board reviews and approves the long-term funding requirements of BT Group and on an ongoing basis considers any related matters. We manage refinancing risk by limiting the amount of borrowing that matures within any specified period and having appropriate strategies in place to manage refinancing needs as they arise. The maturity profile of our loans and borrowings at 31 March 2026 is disclosed in note 25. We have term debt maturities of £0.4bn in FY27, contingent on the exercise of hybrid call options.

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

The following table provides an analysis of the remaining cash flows including interest payable for our non-derivative financial liabilities on an undiscounted basis, which may therefore differ from both the carrying value and fair value.

Non-derivative financial liabilities At 31 March 2026	Loans and other borrowings ^a £m	Interest on loans and other borrowings £m	Trade and other payables £m	Lease liabilities £m	Total £m
Due within one year	484	822	5,021	779	7,106
Between one and two years	1,053	806	—	783	2,642
Between two and three years	2,307	791	—	736	3,834
Between three and four years	2,109	661	—	711	3,481
Between four and five years	2,425	597	—	680	3,702
After five years	9,939	2,074	—	1,023	13,036
	18,317	5,751	5,021	4,712	33,801
Interest payments not yet accrued	—	(5,436)	—	—	(5,436)
Fair value adjustments, unamortised bond fees	(96)	—	—	—	(96)
Impact of discounting	—	—	—	(528)	(528)
Carrying value on the balance sheet^{b,c}	18,221	315	5,021	4,184	27,741

At 31 March 2025

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^{b,c}	18,456	306	5,007	4,571	28,340

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

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

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

Notes to the consolidated financial statements continued

27. Financial instruments and risk management continued

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

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

At 31 March 2025

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

^a Analysed by earliest payment date, certain derivative financial instruments contain break clauses whereby either the group or bank counterparty have the right to terminate the swap on certain dates. If the break clause was exercised, the mark to market position would be settled in cash.

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

How do we manage credit risk?

Management policy

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

For treasury-related balances, the 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 monitors the limits applied to counterparties and will adjust the limit according to the nature and credit standing of the counterparty, and in response to market conditions, up to the maximum allowable limit set by the BT Group plc Board.

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

Exposures

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

At 31 March	Notes	2026 £m	2025 £m
Derivative financial assets		898	1,034
Investments	22	13,917	15,086
Trade and other receivables ^a	16	1,958	1,719
Contract assets	5	1,391	1,500
Cash and cash equivalents	24	352	209
Total		18,516	19,548

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

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

Moody's/S&P credit rating of counterparty

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

^a Baa2/BBB rated exposure represents the energy derivatives and carrying value of forward currency contracts with Sports JV.

^b We hold cash collateral of £1m (FY25: £2m) in respect of derivative financial assets with certain counterparties.

Notes to the consolidated financial statements continued

27. Financial instruments and risk management continued

The concentration of credit risk for our trading balances is provided in note 16, which analyses outstanding balances by CFU. Where multiple transactions are undertaken with a single financial counterparty or group of related counterparties, we enter into netting arrangements to reduce our exposure to credit risk by making use of standard International Swaps and Derivatives Association (ISDA) documentation. We have also entered into credit support agreements with certain swap counterparties whereby, on a daily and weekly basis, the fair value position on notional £1,047m (FY25: £1,047m) of long-dated cross-currency swaps and interest rate swaps is collateralised.

Offsetting of financial instruments

The table below shows our financial assets and liabilities that are subject to offset in the group's balance sheet and the impact of enforceable master netting or similar agreements.

Financial assets and liabilities At 31 March 2026	Amounts presented in the balance sheet £m	Related amounts not set off in the balance sheet		
		Right of set off with derivative counterparties £m	Cash collateral £m	Net amount £m
Derivative financial assets	898	(256)	(1)	641
Derivative financial liabilities	(398)	256	17	(125)
Total	500	—	16	516

At 31 March 2025				
Derivative financial assets	1,034	(346)	(2)	686
Derivative financial liabilities	(497)	346	20	(131)
Total	537	—	18	555

Derivatives and hedging

We use derivative financial instruments mainly to reduce exposure to foreign exchange and interest rate risks. Derivatives may qualify as hedges for accounting purposes if they meet the criteria for designation as cash flow hedges or fair value hedges in accordance with IFRS 9.

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 the income statement.

Other derivatives

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

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

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

Notes to the consolidated financial statements continued

27. Financial instruments and risk management continued

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

All derivative financial instruments are categorised at Level 2, with the exception of the energy contracts which are categorised at Level 3 of the fair value hierarchy as defined in note 22. 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. A 10% increase or decrease in the significant non-observable inputs would increase or decrease the fair value of the contracts by approximately £3m. During the year no new energy contracts were signed or terminated, fair value movement was driven by monthly settlements and market movements.

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging sterling, euro, US dollar, Japanese yen and Norwegian krone denominated borrowings. Forward currency contracts are taken out to hedge step up interest on currency denominated borrowings relating to the group's 2030 US dollar bond. The hedged cash flows will affect the group's income statement as interest and principal amounts are repaid over the remaining term of the borrowings (see note 25).

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 26.

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

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

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

All hedge relationships were fully effective in the period.

Notes to the consolidated financial statements continued

27. Financial instruments and risk management continued

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

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

At 31 March 2025

Sterling, euro, US dollar, Japanese yen and Norwegian krone denominated borrowings ^a	14,278	933	(329)	(449)	86	(322)
Step up interest on the 2030 US dollar bond ^b	99	—	(1)	(19)	2	4
Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints ^c	1,274	10	(15)	10	22	—
Energy contracts ^d		4	(61)	60	(16)	(11)
Forecast sale of redundant copper ^e		—	(14)	14	11	—
Other, individually insignificant hedged items		—	—	—	—	—
Total cash flow hedges	15,651	947	(420)	(384)	105	(329)
Sterling and euro denominated borrowings ^f	800	1	—			
Total fair value hedges	800	1	—			
Deferred tax		—	—	86		
Derivatives not in a designated hedge relationship		86	(77)	—		
Carrying value on the balance sheet		1,034	(497)	(298)		

- ^a Sterling, euro, US dollar, Japanese yen and Norwegian krone denominated borrowings are hedged using fixed to fixed cross-currency and interest rate swaps. Amounts recycled to income statement are presented within operating costs and finance expense. Range of hedged rates: sterling interest: 5.9% - 6.0% (FY25: 5.9% - 6.0%), euro: 1.12 - 1.20 (FY25: 1.12 - 1.29), US dollar: 1.28 - 1.80 (FY25: 1.28 - 1.80), Japanese yen: 156.92 - 156.92 (FY25: 156.92), Norwegian krone: 13.72 - 13.72.
- ^b Step up interest on US dollar denominated borrowings are hedged using forward currency contracts. Amounts recycled to income statement are presented within finance expense. Range of hedged rates: 1.34 - 1.35 (FY25: 1.27 - 1.30).
- ^c Foreign currency purchases, principally denominated in US dollars, euros, Indian rupees and Hungarian forints are hedged using forward currency contracts. Amounts recycled to income statement are presented within cost of sales or operating costs, in line with the underlying hedged item. Range of hedged rates: US dollar: 1.29 - 1.38 (FY25: 1.23 - 1.34), euro: 1.12 - 1.17 (FY25: 1.15 - 1.19), Indian rupees: 110.29 - 131.27 (FY25: 107.88 - 121.60), Hungarian forint: 451.72 - 464.33 (FY25: 472.12 - 492.24).
- ^d Energy contracts are hedged using contracts for difference including virtual power purchase agreements. Amounts recycled to income statement are presented within operating costs. Range of hedged rates: £60 - £119/MWh (FY25: £60 - £119/MWh).
- ^e Forecast sale of redundant copper is hedged using commodity swaps. Amounts recycled to income statement are presented within other operating income. Range of hedged rates: £6,219 - £6,671/Mt (FY25: £6,219 - £6,287/Mt).
- ^f Sterling and euro denominated borrowings are hedged using fixed to floating cross-currency and interest rate swaps. Fair value movements on bonds and swaps in fair value hedges are presented within finance expense. Range of hedged rates: sterling interest: SONIA+123.5 bps - 164.3 bps (FY25: SONIA+123.5 bps - 136.7 bps), euro: 1.19.
- ^g FY25 comparatives have been re-presented to disclose the amounts relating to energy contracts and forecast sale of redundant copper separately, which were previously included within Other.

Notes to the consolidated financial statements continued

28. Other reserves

	Other comprehensive income					
	Cash flow reserve ^a	Fair value reserve ^b	Cost of hedging reserve ^c	Translation reserve ^d	Merger and other reserves	Total
	£m	£m	£m	£m	£m	£m
At 1 April 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 on cash flow hedges recycled to income statement ^f	324	—	5	—	—	329
Fair value movement on assets at fair value through other comprehensive income	—	(6)	—	—	—	(6)
Tax recognised in other comprehensive income	(59)	—	—	3	—	(56)
At 31 March 2025	304	2	(6)	377	858	1,535
Exchange differences ^e	—	—	—	(39)	—	(39)
Net fair value gain (loss) on cash flow hedges	(166)	—	5	—	—	(161)
Movements on cash flow hedges recycled to income statement ^f	(28)	—	6	—	—	(22)
Fair value movement on assets at fair value through other comprehensive income	—	3	—	—	—	3
Tax recognised in other comprehensive income	45	—	—	(4)	—	41
At 31 March 2026	155	5	5	334	858	1,357

- ^a The cash flow reserve is used to record the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred. The transfer to realised profit includes a deferred tax adjustment.
- ^b The fair value reserve is used to record gains or losses on equity investments held at fair value through other comprehensive income. When these investments are disposed of any remaining gains or losses in other comprehensive income are transferred to retained earnings.
- ^c The cost of hedging reserve reflects the gain or loss on the portion excluded from the designated hedging instrument that relates to the currency basis element of our cross-currency swaps and forward points on certain foreign exchange contracts. It is initially recognised in other comprehensive income and accounted for similarly to gains or losses in the cash flow reserve.
- ^d The translation reserve is used to record cumulative translation differences on the net assets of foreign operations. The cumulative translation differences are recycled to the income statement on disposal of the foreign operation.
- ^e Excludes an insignificant amount of exchange differences in relation to retained earnings attributed to non-controlling interests. Includes £17m in FY26 (FY25: £nil) of cumulative exchange gain reclassified to the income statement upon disposal of a foreign operations.
- ^f Movements on cash flow hedge-related reserves recognised in the income statement include a net debit of £22m (FY25: net credit of £329m), comprising a net debit to other comprehensive income of £193m (FY25: net credit of £278m) which have been reclassified to operating costs, and a net credit of £171m (FY25: net credit of £51m) which have been reclassified to finance expense (see note 26).

29. Directors' emoluments and pensions

Neil Harris, Edward Heaton, Daniel Rider 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 2026 the aggregate emoluments of the directors excluding deferred bonuses of £168,000 (FY25: £625,000) were £3,203,000 (FY25: £2,811,000). 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 (FY25: none) under a money purchase scheme.

During the year one director exercised options (FY25: none) under BT Group share option plans. Six directors who held office for the whole or part of the year (FY25: five) received or are entitled to receive 5p ordinary shares of BT Group plc under BT long-term incentive plans. The aggregate value of BT Group plc shares which vested to directors during the year under BT long-term incentive plans was £3,231,000 (FY25: £2,161,000).

The emoluments of the highest paid director including his deferred bonus of £nil (FY25: £443,000) were £1,706,000 (FY25: £1,796,000). He is entitled to receive 5,715,323 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.

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

Associates and joint ventures related parties include the Sports JV with Warner Bros Discovery (see note 23). Sales of services to the Sports JV during FY26 were £3m (FY25: £9m), and purchases from the Sports JV were £331m (FY25: £305m) excluding £191m (FY25: £187m) additional payments made to settle the minimum guarantee liability (see note 17). The amount receivable from the Sports JV as at 31 March 2026 was £nil (FY25: £nil) and the amount payable to the Sports JV was £94m (FY25: £97m).

As part of the FY23 BT Sport transaction, the group has committed to providing the Sports JV with a sterling Revolving Credit Facility (RCF), up to a maximum for £200m (FY25: £200m), for short-term liquidity required by the Sports JV to fund its working capital and commitments to sports rights holders. Amounts drawn down by the Sports JV under the RCF accrue interest at a market reference rate, consistent with the group's external short-term borrowings. The outstanding balance under the RCF of £91m (FY25: £46m) is treated as a loan receivable and held at amortised cost, see note 16. There is also a loan payable to the Sports JV of £10m (FY25: £10m), see note 25.

The Sports JV has a foreign exchange hedging arrangement with the group to secure euros required to meet its commitments to certain sports rights holders; the group has external forward contracts in place to purchase the euros at an agreed sterling rate in order to mitigate its exposure to exchange risk. The group holds a £9m (FY25: £36m) derivative liability in respect of forward contracts provided to the Sports JV.

Notes to the consolidated financial statements continued

30. Related party transactions continued

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

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

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

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 FY26, a dividend of £1,500m (FY25: £780m) was settled with the parent company in respect of the year ended 31 March 2025. The directors recommend payment of a final dividend in respect of FY26 of £1,500m. See note 11 and the group statement of changes in equity.

As of 31 March 2026 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	2026		2025	
		Asset (liability) at 31 March	Finance income (expense)	Asset (liability) at 31 March	Finance income (expense)
		£m	£m	£m	£m
Amounts owed by (to) parent company					
Non-current assets investments	22, 26	11,847	631	11,917	724
Amounts owed by (to) ultimate parent company					
Non-current assets investments	22, 26	568	18	521	23
Non-current liabilities loans	25, 26	—	—	—	—
Trade and other receivables	16	—	n/a	10	n/a
Trade and other payables	17	—	n/a	(12)	n/a

31. Financial commitments

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

The group's programme rights commitments for our BT Sport operations were transferred to the Sports JV formed with Warner Bros. Discovery (WBD) during FY23 (see note 23). Both the group and WBD have provided parent company guarantees for the Sports JV's obligations under certain programme rights commitments; the fair value of these guarantees is not material.

Other than as disclosed in note 18, there were no contingent liabilities or guarantees at 31 March 2026 other than those arising in the ordinary course of the group's business and on these no material losses are anticipated. We have insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of our operations. Otherwise, the group generally carries its own risks.

Legal and regulatory proceedings

See note 18 for contingent liabilities associated with legal and regulatory proceedings.

32. Post balance sheet events

On 15 June 2026, the Board of British Telecommunications plc approved the re-registration of the Company from a public limited company to a private limited company. There is no impact on the financial statements from this change.

On 2 June 2026, BT, through BT Finance plc, issued a €850m senior bond due on 2 June 2034 under its European Medium Term Note programme, with a coupon of 3.875%.

Notes to the consolidated financial statements continued

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

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

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

Creation of a new International CFU

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

Updates to segmental revenue reporting

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

– Reclassification of Openreach pass-through services

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

– Update to EE and BT Wholesale trading relationship

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

Revisions to the presentation of disaggregated revenue

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

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

Accounting treatment and comparative information

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

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

Other impacted disclosures and APMs

The note 16 'Trade and other receivables: trade receivables not past due and accrued income by CFU' disclosures are also impacted by the formation of the International CFU (re-presentations have been incorporated into the note).

The impact of these re-presentations on the Adjusted UK service revenue additional performance measure is included in the 'Additional Information' section on page 139.

Notes to the consolidated financial statements continued

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

Note 4 Segment information: Segment revenue and profit

Year ended 31 March 2025: published

	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Segment revenue	9,695	7,842	—	6,156	12	23,705
Internal revenue	(42)	(106)	—	(3,187)	—	(3,335)
Adjusted revenue from external customers	9,653	7,736	—	2,969	12	20,370
Adjusted EBITDA	2,644	1,536	—	4,029	(6)	8,203
Depreciation and amortisation	(1,832)	(961)	—	(2,032)	(108)	(4,933)
Adjusted operating profit (loss)	812	575	—	1,997	(114)	3,270

Year ended 31 March 2025: adjustments for re-presentation

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

Year ended 31 March 2025: re-presented

Segment revenue	9,695	5,348	2,499	6,156	12	23,710
Internal revenue	(42)	(200)	—	(3,098)	—	(3,340)
Adjusted revenue from external customers	9,653	5,148	2,499	3,058	12	20,370
Adjusted EBITDA	2,644	1,331	205	4,029	(6)	8,203
Depreciation and amortisation	(1,832)	(721)	(240)	(2,032)	(108)	(4,933)
Adjusted operating profit (loss)	812	610	(35)	1,997	(114)	3,270

Note 4 Segment information: Internal revenue and costs

Year ended 31 March 2025: published

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

Year ended 31 March 2025: adjustments for re-presentation

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

Year ended 31 March 2025: re-presented

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

Notes to the consolidated financial statements continued

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

Note 4 Segment information: Capital expenditure

Year ended 31 March 2025: published

	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Total £m
Intangible assets	462	390	—	146	—	998
Property, plant and equipment	745	332	—	2,692	90	3,859
Capital expenditure excluding spectrum	1,207	722	—	2,838	90	4,857

Year ended 31 March 2025: formation of International CFU and segmental re-presentations

Intangible assets	—	(65)	65	—	—	—
Property, plant and equipment	—	(75)	75	—	—	—
Capital expenditure excluding spectrum	—	(140)	140	—	—	—

Year ended 31 March 2025: re-presented

Intangible assets	462	325	65	146	—	998
Property, plant and equipment	745	257	75	2,692	90	3,859
Capital expenditure excluding spectrum	1,207	582	140	2,838	90	4,857

Note 5 Revenue: Disaggregation of revenue

Year ended 31 March 2025: published

	Consumer £m	Business £m	International £m	Openreach £m	Other £m	Internal revenue £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 and other services	1,806	1,326	—	72	12	—	3,216
Total adjusted revenue	9,653	7,736	—	2,969	12	—	20,370
Specific items (note 9)							(12)
Total revenue							20,358

Year ended 31 March 2025: adjustments for re-presentation

ICT and managed networks	—	(1,973)	912	—	—	—	(1,061)
Fixed access subscriptions	(73)	(33)	1,116	(2,897)	—	(11)	(1,898)
Mobile subscriptions	22	(372)	32	—	—	(36)	(354)
Other service	(1,799)	(511)	94	61	—	(250)	(2,405)
Equipment revenue	1,807	491	336	—	—	(5)	2,629
Revenue from contracts with customers	(43)	(2,398)	2,490	(2,836)	—	(302)	(3,089)
Lease revenue	85	10	9	6,023	—	(3,038)	3,089
Other revenue	—	—	—	—	—	—	—
Revenue before specific items	42	(2,388)	2,499	3,187	—	(3,340)	—

Year ended 31 March 2025: re-presented

ICT and managed networks	—	1,105	912	—	—	—	2,017
Fixed access subscriptions	4,265	2,097	1,116	—	—	(11)	7,467
Mobile subscriptions	3,531	830	32	—	—	(36)	4,357
Other service	7	815	94	133	12	(250)	811
Equipment revenue	1,807	491	336	—	—	(5)	2,629
Revenue from contracts with customers	9,610	5,338	2,490	133	12	(302)	17,281
Lease revenue	85	10	9	6,023	—	(3,038)	3,089
Other revenue	—	—	—	—	—	—	—
Revenue before specific items	9,695	5,348	2,499	6,156	12	(3,340)	20,370
Specific items (note 5)							(12)
Total revenue							20,358

British Telecommunications plc company balance sheet

Registered number 01800000

At 31 March	Notes	2026 £m	2025 £m
Non-current assets			
Intangible assets	4	1,965	2,018
Property, plant and equipment	5	22,781	21,347
Right-of-use assets	6	2,152	2,383
Derivative financial instruments	20	897	1,026
Investments in subsidiary undertakings, associates and joint ventures	7	14,549	14,819
Other investments	8	12,978	12,973
Trade and other receivables	9	371	335
Preference shares in joint venture	7	—	234
Contract assets		34	7
Retirement benefit surplus	18	25	11
Deferred tax assets		1,102	907
		56,854	56,060
Current assets			
Inventories		156	144
Trade and other receivables	9	2,392	2,235
Preference shares in joint venture	7	282	161
Contract assets		160	194
Assets classified as held for sale	21	—	13
Current tax receivables		960	756
Derivative financial instruments	20	68	130
Other investments	8	2,272	3,402
Cash and cash equivalents ^a		140	33
		6,430	7,068
Current liabilities			
Loans and other borrowings	10	13,268	13,588
Derivative financial instruments	20	85	106
Trade and other payables	11	4,347	4,561
Contract liabilities		519	493
Liabilities classified as held for sale	21	—	6
Lease liabilities	6	560	484
Current tax liabilities		—	—
Provisions	13	120	187
		18,899	19,425
Total assets less current liabilities		44,385	43,703
Non-current liabilities			
Loans and other borrowings	10	18,116	16,665
Derivative financial instruments	20	313	391
Contract liabilities		174	171
Lease liabilities	6	2,687	3,078
Retirement benefit obligations	18	3,130	2,940
Other payables	12	1,126	1,124
Deferred taxation	14	1,309	994
Provisions	13	184	182
		27,039	25,545
Equity			
Ordinary shares		2,172	2,172
Share premium		8,000	8,000
Other reserves	15	919	1,055
Retained earnings ^b		6,255	6,931
Equity shareholder's funds		17,346	18,158
		44,385	43,703

^a Includes cash of £140m (FY25: £33m) and cash equivalents of £nil (FY25: £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 £1,077m (FY25: £5,008m) before dividends paid of £1,500m (FY25: £780m).

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

The financial statements of the company on pages 107 to 132 were approved by the Board of Directors on 15 June 2026 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 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 ^e		—	—	—	(780)	(780)
Transferred to the income statement	15	—	—	330	—	330
Fair value movement on assets at fair value through other comprehensive income		—	—	(6)	—	(6)
Other movements ^e		—	—	—	335	335
At 31 March 2025		2,172	8,000	1,055	6,931	18,158
Profit for the year ^d		—	—	—	1,077	1,077
Actuarial loss	18	—	—	—	(659)	(659)
Tax on actuarial loss		—	—	—	168	168
Share-based payments		—	—	—	34	34
Tax on share-based payments		—	—	—	25	25
Tax on items taken directly to equity	15	—	—	44	—	44
Net fair value loss on cash flow hedges	15	—	—	(158)	—	(158)
Dividends ^d		—	—	—	(1,500)	(1,500)
Transferred to the income statement	15	—	—	(24)	—	(24)
Fair value movement on assets at fair value through other comprehensive income	15	—	—	2	—	2
Other movements ^e		—	—	—	179	179
At 31 March 2026		2,172	8,000	919	6,255	17,346

^a The allotted, called up and fully paid ordinary share capital of the company at 31 March 2026 and 31 March 2025 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 £1,077m (FY25: £5,008m) before dividends paid of £1,500m (FY25: £780m).

^e Other movements of £179m mostly arose from the transfer of BT Radianz business to one of its subsidiary, BT Quartz Paddington Limited. FY25 movements primarily related to a £335m dividend in specie for subsidiary shareholding transfers. See note 21 for details.

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

- Lack of Exchangeability (Amendments to IAS 21)

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

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

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements for presentation of the income statement, including specified totals and subtotals.

The standard requires the presentation of goodwill as a separate line item in the balance sheet. BT has made this change in these financial statements.

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 financial statements.

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

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			●
9. Estimate of customer refund liability		●	
17. Identifying contingent liabilities			●
13. Provisions		●	●
14. Current and deferred income tax		●	
18. Valuation of pension assets and liabilities	●		●
21. Held for sale classification			●

3. Material 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. Inventories principally include finished goods including mobile and device stock.

Government grants

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

Grants for the purchase or production of property, plant and equipment are 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 20 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.

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, 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.

Computer software

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

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

Other

Other intangible assets include customer relationships and brands 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 relationship and brands	1 to 10 years

Impairment of intangible assets

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

	Software ^a £m	Other £m	Total ^b £m
Cost			
At 1 April 2025	5,950	23	5,973
Additions	686	—	686
Disposals and adjustments ^c	(590)	(10)	(600)
Transfers ^d	(32)	—	(32)
At 31 March 2026	6,014	13	6,027
Accumulated amortisation			
At 1 April 2025	3,942	13	3,955
Charge for the year	671	—	671
Impairment	36	—	36
Disposals and adjustments ^c	(600)	—	(600)
Transfers ^d	—	—	—
At 31 March 2026	4,049	13	4,062
Carrying amount			
At 31 March 2025	2,008	10	2,018
At 31 March 2026	1,965	—	1,965

^a Includes a carrying amount of £288m (FY25: £278m) in respect of assets in the course of construction, which are not yet amortised.

^b Goodwill has been excluded from this table as it was fully impaired in prior periods and therefore has a nil carrying amount.

^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 FY26 through operation of the group's annual asset verification exercise).

^d During FY26, internally developed software assets (where amortisation had not yet commenced) with a cost of £32m were reclassified from intangible assets to property, plant and equipment following review of asset registers.

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 are 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 continued

	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 2025	786	38,961	16,167	1,733	778	58,425
Additions	—	—	1	—	3,812	3,813
Transfers ^b	47	2,869	300	319	(3,503)	32
Disposals and adjustments ^c	(12)	(1,710)	(1,059)	(265)	(1)	(3,047)
At 31 March 2026	821	40,120	15,409	1,787	1,086	59,223
Depreciation						
At 1 April 2025	435	21,803	13,509	1,293	38	37,078
Charge for the year	53	1,653	372	313	—	2,391
Impairments	5	—	7	1	—	13
Transfers ^b	—	—	—	—	—	—
Disposals and adjustments ^c	(18)	(1,668)	(1,104)	(250)	—	(3,040)
At 31 March 2026	475	21,788	12,784	1,357	38	36,442
Carrying amount						
At 31 March 2025	351	17,158	2,658	440	740	21,347
At 31 March 2026	346	18,332	2,625	430	1,048	22,781

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

^b During FY26, assets with cost of £32m and accumulated depreciation of £nil 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 £2.4bn in FY26 (FY25:£0.6bn) through operation of the group's annual asset verification exercise).

^d Assets under construction ('AUC') cost includes a carrying amount of £60m (gross cost of £98m and accumulated depreciation of £38m) at 31 March 2026 and £73m (Gross costs of £108m and accumulated depreciation of £35m) at 31 March 2025 which relates to engineering stores.

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

- £18,332m (FY25: £17,158m) of the carrying amount of the network infrastructure asset class represents Openreach's network infrastructure. The majority of the associated assets are used to deliver fixed-line telecommunications services that have been assessed as containing operating leases, to both internal and external communications providers. Network infrastructure held by Openreach is presented separately in the table above, however it is not practicable to separate out infrastructure not used in operating lease arrangements.
- Plant and equipment, within other assets, include devices with a carrying amount of £257m (FY25: £238m) that are made available to retail customers under arrangements that contain operating leases. These are not presented separately in the table above as they are not material relative to the company's overall asset base.

The net book value of land and buildings comprised:

At 31 March	2026 £m	2025 £m
Freehold	34	37
Leasehold	312	314
Total net book value of land and buildings	346	351

BT Tower

In FY24 we agreed to the sale of the BT Tower for headline consideration of £275m, as part of the simplification of BT Group plc's property portfolio. The carrying amount of the BT Tower asset is £2.1m at 31 March 2026 (FY25: £2.9m). The asset continues not to meet the IFRS 5 criteria for classification as held for sale at the reporting date, reflecting the extent of decommissioning work needed to provide vacant possession of the site.

The transfer of legal title is anticipated to take place in a three-year window between 2028 and 2031 subject to achieving vacant possession of the site. BT continues to enjoy exclusive rights to occupy and access the site prior to completion. The useful economic lives of assets associated with the BT Tower have been reassessed in light of the anticipated disposal in FY30.

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 BT Group plc'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, adjusted for any direct costs.

Notes to the parent company financial statements continued

6. 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 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.

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.

UK operational property portfolio

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

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

If the assessment were to change at the balance sheet date of 31 March 2026:

- Exercising the purchase option would lead to an estimated increase in the lease liability and right-of-use asset of between £3bn and £5bn.
- Continuing to lease the estate beyond 2031 until the next available break in 2041 would lead to an estimated increase in the lease liability and right-of-use asset of between £1bn and £2bn.

Our assessment will be directly linked to future strategic decisions, which will be resolved at some time prior to 2031, around the development of the fixed network and the associated rationalisation of our exchange estate. The breadth of the ranges reflects the significant uncertainty around key variables used to determine cash outflows, especially future inflation and which properties the group will be able to exit prior to or in 2031.

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

We are permitted to hand a limited number of properties back to the lessor prior to 2031. On initial adoption of IFRS 16 (applied via FRS 101) 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 continued

Company as lessee

Right-of-use assets

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

	Land and buildings £m	Network infrastructure £m	Motor vehicles £m	Total £m
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	—	(14)	—	(14)
Disposals	(4)	—	—	(4)
Transfer to assets held for sale	(2)	—	—	(2)
Other movements ^b	(19)	1	(4)	(22)
At 1 April 2025	2,001	21	361	2,383
Additions ^a	21	20	174	215
Depreciation charge for the year	(266)	(17)	(114)	(397)
Impairment	(5)	(3)	—	(8)
Disposals	(6)	—	—	(6)
Transfer to assets held for sale	—	—	—	—
Other movements ^b	(15)	(1)	(19)	(35)
At 31 March 2026	1,730	20	402	2,152

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

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

Lease liabilities

Lease liabilities recognised are as follows:

Year ended 31 March	2026 £m	2025 £m
Current	560	484
Non-current	2,687	3,078
	3,247	3,562

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

- Interest expense of £97m (FY25: £103m) on lease liabilities.
- Variable lease payments of £16m (FY25: £38m) which are not dependent on an index or rate and which have not been included in the measurement of lease liabilities.

Expenses relating to leases of low-value assets and short-term leases for which no right-of-use asset or lease liability has been recognised were not material.

The total cash outflow for leases in the year was £493m (FY25: £487m).

At 31 March 2026 the company was committed to future minimum lease payments of £35m (FY25: £218m) in respect of leases which have not yet commenced and for which no lease liability has been recognised.

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:

At 31 March	2026 £m	2025 £m
Less than one year	429	426
One to two years	95	99
Two to three years	31	31
Three to four years	3	4
Four to five years	3	4
More than five years	1	5
Total undiscounted lease payments	562	569

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 the 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 ^a £m	Total £m
Cost				
At 31 March 2025	33,865	454	6	34,325
Net movements	—	—	(5)	(5)
At 31 March 2026	33,865	454	1	34,320
Provisions and amounts written off				
At 31 March 2025	19,291	215	—	19,506
Provided in the year	26	238	1	265
At 31 March 2026	19,317	453	1	19,771
Net book value at 31 March 2025	14,574	239	6	14,819
Net book value at 31 March 2026	14,548	1	—	14,549

^a During the year, an associate with a carrying amount of £6m was classified as held for sale. On classification, it was remeasured to its fair value less costs to sell of £1m, resulting in the recognition of an impairment loss of £5m. Subsequently, as the held for sale criteria were no longer met, the investment was reclassified back to investment in associate at £1m. A further £1m impairment loss was recognised, reducing the carrying amount to nil.

Subsidiary undertakings

Details of the company's subsidiary undertakings are set out on pages 133 to 136.

As part of the annual impairment review, the company identified certain investments in subsidiaries for which 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. These indicators triggered a detailed impairment assessment. As a result of this assessment, the carrying amounts of the affected investments were determined to exceed their recoverable amounts and an impairment loss of £26m was recognised (FY25: £1,479m).

Apart from the circumstances described above, the carrying amounts of the remaining investments in subsidiaries were assessed as recoverable.

Joint ventures - Sports JV

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

Further details on the transaction and key developments in the Sports JV during the year are provided in note 23 to the consolidated financial statements.

The company's interest in the Sports JV comprises both ordinary equity shares and preference shares.

Key accounting estimates made in accounting for the Sports JV

Valuation of investment in A preference shares

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

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

The preference shares are held at Level 3 on the fair value hierarchy, reflecting a valuation methodology that does not use inputs based on observable market data – see note 22 to the consolidated financial statements for further details on the fair value hierarchy. Changes in key assumptions and inputs could result in changes in fair value.

Valuation of BT's equity interest in the Sports JV

At the balance sheet date, the valuation of the company's equity interest in the Sports JV is no longer considered a key accounting estimate. Prior to the loss of the UEFA rights (see note 23 to the consolidated financial statements), this valuation involved a high degree of judgement in estimating fair value and was therefore considered a key accounting estimate, as changes in assumptions could have resulted in different impairment outcomes in prior periods.

Ordinary equity shares

At inception, the company recognised its investment in the ordinary equity interest held in the Sports JV at a deemed cost equal to its initial fair value of £414m.

Notes to the parent company financial statements continued

7. Investments in subsidiary undertakings, associates and joint ventures continued

The investment is subsequently carried at this deemed cost and reviewed for impairment. At 31 March 2026, the company's impairment assessment indicated that the recoverable amount was lower than the carrying amount of the investment. Accordingly, an impairment loss of £238m was recognised (FY25: £176m), reducing the carrying amount of the investment to £nil.

Preference shares

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

At 31 March	2026 £m	2025 £m
Investment in A preference shares	107	242
Investment in C preference shares	175	153
Total	282	395

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

8. Other investments

Material accounting policies that apply to other investments

Investments classified as amortised cost

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

Equity instruments

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

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 £140m is held against these loans.

At 31 March	2026 £m	2025 £m
Non-current assets		
Fair value through other comprehensive income	19	17
Loans to group undertakings	544	518
Loans to parent undertakings	12,415	12,438
Total non-current asset investments	12,978	12,973
Current assets		
Investments held at amortised cost	1,482	2,631
Loans to group undertakings	790	771
Total current asset investments	2,272	3,402

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

Loans to group and parent undertakings total £13,749m (FY25: £13,727m). These consist of amounts denominated in sterling of £12,521m (FY25: £12,545m), in euros of £849m (FY25: £788m) and in other currencies of £379m (FY25: £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.

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.

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 CFUs in order to reflect the specific nature of the customers relevant to that CFU.

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 continued

At 31 March	2026 £m	2025 £m
Current receivables		
Trade receivables	780	859
Amount owed by group undertakings	793	593
Amount owed by ultimate parent company	—	10
Prepayments	324	287
Accrued income	71	96
Deferred contract costs	201	179
Finance lease receivables	13	12
Amounts due from joint ventures	91	46
Other assets ^a	119	153
Total current receivables	2,392	2,235
Non-current receivables		
Deferred contract costs	221	212
Finance lease receivables	46	55
Other assets ^a	104	68
Total non current receivables	371	335

^a Other assets include £6m (FY25: £35m) 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. The expected loss provision is immaterial.

Notes to the parent company financial statements continued

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

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

At 31 March	2026 £m	2025 £m
0.5% €419m bond due September 2025	—	351
1.75% €1,076m bond due March 2026	—	901
1.5% €1,150m bond due June 2027 ^a	1,015	971
2.75% €700m bond due August 2027 ^b	—	590
2.125% €500m bond due September 2028 ^a	441	422
5.125% \$700m bond due December 2028 ^a	538	550
5.75% £600m bond due December 2028	638	649
1.125% €750m bond due September 2029 ^a	656	627
3.25% \$1,000m bond due November 2029 ^a	765	780
9.625% \$2,670m bond due December 2030 ^a (minimum 8.625% ^c)	2,078	2,122
3.75% €800m bond due May 2031 ^a	720	690
3.125% £500m bond due November 2031	504	504
3.125% €850m bond due February 2032 ^a	740	708
3.375% €500m bond due August 2032 ^a	443	424
4.25% €850m bond due January 2033 ^a	743	710
4.713% NOK1,000m bond due March 2033 ^a	78	—
3.64% £330m bond due June 2033	339	339
1.613% £330m index linked bond due June 2033	417	403
3.875% €895m bond due January 2034 ^a	784	750
3.75% €700m bond due January 2035 ^{a,d}	589	—
6.375% £500m bond due June 2037	523	523
3.883% £330m bond due June 2039	340	340
1.739% £330m index linked bond due June 2039	417	404
5.75% £450m bond due February 2041 ^{a,d}	435	446
5.625% £350m bond due December 2041 ^{a,d}	342	351
3.924% £340m bond due June 2042	350	350
1.774% £340m index linked bond due June 2042	430	416
2.08% ¥10,000m bond due February 2043 ^a	48	52
3.625% £250m bond due November 2047	251	251
4.25% \$500m bond due November 2049 ^a	383	388
5.125% €750m hybrid bond due October 2054 ^{a,e}	667	638
6.375% £400m hybrid bond due December 2055 ^e	405	—
1.874% €500m hybrid bond due August 2080 ^f	—	423
4.250% \$500m hybrid bond due November 2081 ^{a,e}	380	391
4.875% \$500m hybrid bond due November 2081 ^{a,e}	384	393
8.375% £700m hybrid bond due December 2083 ^e	713	711
Total listed bonds	17,556	18,568
Loans from group undertakings ^g	13,637	11,578
Loans related to the forward sale of redundant copper	177	93
Other loans	1	2
Amounts owed to joint ventures	10	10
Bank overdrafts	3	2
Total other loans and borrowings	13,828	11,685
Total loans and borrowings	31,384	30,253

^a Designated in a cash flow hedge relationship.

^b Redeemed under call option in March 2026.

^c The interest rate payable on this bond attracts an additional 0.25% for rating category downgrade by either Moody's or Standard & Poor's to the group's senior unsecured debt below A3/A- respectively. In addition, if Moody's or Standard & Poor's subsequently increase the ratings then the interest rate will be decreased by 0.25% for each rating category upgrade by either rating agency. In no event will the interest rate be reduced below the minimum rate reflected in the above table.

^d Designated in a fair value hedge relationship.

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

^f Redeemed under call option in May 2025.

^g Loans from group undertakings are £13,637m (FY25: £11,578m), of which £747m (FY25: £nil) has been designated in a cash flow hedge relationship. These consist of £8,833m (FY25: £7,329m) denominated in sterling, £2,110m (FY25: £1,544m) denominated in euros, £1,944m (FY25: £1,952m) denominated in US dollars, and £750m (FY25: £753m) denominated in other currencies.

Notes to the parent company financial statements continued

10. Loans and other borrowings continued

Unless previously or currently designated in a fair value hedge relationship, all loans and other borrowings are carried on our balance sheet and in the table above at amortised cost. The fair value of listed bonds and other loans and borrowings is £17,046m (FY25: £18,132m) and £13,817m (FY25: £11,689m) respectively.

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

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

Loans and other borrowings are analysed as follows:

	2026 £m	2025 £m
At 31 March		
Current liabilities		
Listed bonds	305	1,975
Loans from group undertakings	12,900	11,578
Amount owed to joint ventures	10	10
Other loans and borrowings ^a	53	25
Total current liabilities	13,268	13,588
Non-current liabilities		
Listed bonds	17,251	16,593
Loans from group undertakings	737	—
Other loans and borrowings	128	72
Total non-current liabilities	18,116	16,665
Total loans and other borrowings	31,384	30,253

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

	2026			2025		
	Lease liabilities £m	Loans and other borrowings ^a £m	Total £m	Lease liabilities £m	Loans and other borrowings ^a £m	Total £m
At 31 March						
Repayments falling due as follows:						
Within one year, or on demand	560	13,647	14,207	484	13,588	14,072
Between one and two years	578	1,053	1,631	558	425	983
Between two and three years	556	2,307	2,863	543	1,583	2,126
Between three and four years	544	2,109	2,653	530	2,261	2,791
Between four and five years	525	2,425	2,950	519	2,030	2,549
After five years	909	9,939	10,848	1,417	10,412	11,829
Total due for repayment after more than one year	3,112	17,833	20,945	3,567	16,711	20,278
Total repayments	3,672	31,480	35,152	4,051	30,299	34,350
Non cash adjustments ^b	—	(96)	(96)	—	(46)	(46)
Impact of discounting	(425)	—	(425)	(489)	—	(489)
Total loans and other borrowings	3,247	31,384	34,631	3,562	30,253	33,815

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

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

Notes to the parent company financial statements continued

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 programme as described below. We assess these arrangements against indicators to determine if debts which vendors have sold to the funder under the supplier financing schemes continue to meet the definition of trade payables or should be classified as borrowings. At 31 March 2026 under the terms of the arrangement the funder's payment to the supplier does not legally extinguish our obligation to the supplier so it remains within trade and other payables.

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 £47m, 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 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.

At 31 March	2026 £m	2025 £m
Trade payables	2,388	2,475
Amounts owed to group undertakings	663	621
Amounts owed to ultimate parent company	—	12
Other taxation and social security	41	115
Minimum guarantee with sports joint venture ^a	101	201
Accrued expenses	316	251
Deferred income ^b	356	423
Other payables ^c	482	463
Total	4,347	4,561

^a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture, see note 23 of the consolidated financial statements.

^b Deferred income includes £44m (FY25: £98m) relating to the Building Digital UK programme, Reaching 100% and Gigabit initiatives, for which grants received by the company may be subject to re-investment or repayment depending on the level of take-up.

^c Includes £47m (FY25: £51m) relating to an estimate of customer refunds, see key accounting estimate disclosure above.

Current trade and other payables at 31 March 2026 include £242m (31 March 2025: £212m) of trade payables in supply chain financing programmes 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	2026 £m	2025 £m
Minimum guarantee with sports joint venture ^a	—	87
Deferred income ^b	1,122	1,032
Other payables	4	5
Total	1,126	1,124

^a Liability recognised on the minimum revenue guarantee in BT's distribution agreement with the sports joint venture, see note 23 of the consolidated financial statements.

^b Deferred income includes £21m (FY25: £44m) relating to government grants under the Building Digital UK (BDUK), Reaching 100% (R100) and Gigabit programmes, for which grants received by the company may be subject to re-investment or repayment depending on the level of take-up.

Notes to the parent company financial statements continued

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

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

Other provisions do not include any individually material provisions.

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

Notes to the parent company financial statements continued

13. Provisions & contingent liabilities continued

	Property £m	Regulatory £m	Third party claims and litigation ^a £m	Other £m	Total £m
1 April 2024 (re-presented)^a	104	86	151	52	393
Additions	4	37	38	38	117
Unwind of discount	—	—	1	—	1
Utilised	(28)	(45)	(32)	—	(105)
Released	(2)	(34)	(1)	—	(37)
Transfers	—	—	—	—	—
At 31 March 2025	78	44	157	90	369
Additions	18	1	72	17	108
Unwind of discount	—	—	1	—	1
Utilised	(29)	(24)	(60)	(4)	(117)
Released	—	(11)	(24)	(23)	(58)
Transfers	—	—	—	1	1
At 31 March 2026	67	10	146	81	304

^a We have re-presented third party claims and litigation claims following a review of our provisions. 'Third party claims' (FY26: £132m; FY25: £123m) and 'Litigation claims' (FY26: £14m; FY25: £34m) have been combined into a single category given the claim types are of similar nature, timing and uncertainty.

	2026 £m	2025 £m
At 31 March		
Analysed as:		
Current	120	187
Non-current	184	182
	304	369

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 18 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 107. 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 82% 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. £57m (FY25: £75m) is included in current tax liabilities or offset against current tax assets where netting is appropriate.

	£m	
At 1 April 2024	705	
Charge recognised in the income statement	302	
Credit recognised in reserves	(13)	
At 1 April 2025	994	
Charge recognised in the income statement	372	
Transfer to deferred tax asset	—	
Transfer to current tax	—	
Credit recognised in reserves	(57)	
At 31 March 2026	1,309	
	2026	2025
At 31 March	£m	£m
Tax effect of temporary differences due to:		
Excess capital allowances	4,071	3,952
Losses	(2,590)	(2,824)
Share-based payments	(40)	(51)
Other	(132)	(83)
Total provision for deferred taxation	1,309	994

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 and reduces our current year tax liability. The enhanced and accelerated tax deductions arising under the Government's super-deduction regime for qualifying capital spend during FY22 and FY23, together with full expensing for FY24 to FY26 contributed to a net £4.1bn deferred tax liability on fixed asset temporary differences, and a net £2.6bn deferred tax asset relating to tax losses, after combining pension deficit contribution deductions, in the table above.

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

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 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 gain on cash flow hedges	(101)	—	—	—	(101)
Fair value movements on assets at fair value through other comprehensive income	—	(6)	—	—	(6)
At 31 March 2025	308	—	(5)	752	1,055
Transferred to the income statement	(30)	—	6	—	(24)
Tax on items taken directly to equity	44	—	—	—	44
Net fair value loss on cash flow hedges	(163)	—	5	—	(158)
Fair value movements on assets at fair value through other comprehensive income	—	2	—	—	2
At 31 March 2026	159	2	6	752	919

^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, relating 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 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 2026 was £nil (FY25: £nil) and the amount payable to the Sports JV was £94m (FY25: £97m).

As part of the FY23 BT Sport transaction, the 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 £91m (FY25: £46m) is treated as a loan receivable and held at amortised cost. There is also a loan payable to the Sports JV of £10m (FY25: £10m).

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 £9m (FY25: £36m) 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:

	2026 £m	2025 £m
At 31 March		
Amounts receivable from associates and joint ventures	9	2
Amounts payable to associates and joint ventures	107	99

Other related party transactions include a dividend received from a joint venture of £12m (FY25: £2m).

17. Financial commitments

Financial commitments as at 31 March 2026 include capital commitments of £802m (FY25: £767m) and there are no other commitments (FY25: £2m).

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 2026 other than those arising in the ordinary course of the company's business and on these no material losses are anticipated. We have insurance cover to certain limits for major risks on property and major claims in connection with legal liabilities arising in the course of our operations. Otherwise, the company generally carries its own risks.

Notes to the parent company financial statements continued

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.

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.

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.

Q Critical accounting estimates and significant judgements made when valuing the BTPS assets and pension liabilities

Refer to note 19 of the BT plc consolidated financial statements for further details on all other critical accounting estimates and significant judgements.

Asset-Backed Funding (ABF) arrangement

The ABF arrangement, issued to the BTPS in May 2021, has a fair value of £1.1bn at 31 March 2026 (FY25: £1.1bn) calculated as the present value of the future stream of payments, allowing for the probability of the BTPS becoming fully funded and therefore the payments to the BTPS ending early. Under IFRS, the ABF is recognised as a plan asset in the company's balance sheet, but not recognised at group level.

The net defined benefit liability in respect of defined benefit plans reported in the balance sheet is set out below.

	2026			2025		
At 31 March	Assets £m	Liabilities £m	Surplus / (Deficit) £m	Assets £m	Liabilities £m	Surplus / (Deficit) £m
BTPS ^a	32,021	(35,113)	(3,092)	32,793	(35,690)	(2,897)
Other plans ^b	121	(134)	(13)	125	(157)	(32)
Total (gross of tax)	32,142	(35,247)	(3,105)	32,918	(35,847)	(2,929)
Deferred tax asset			1,102			907
Total (net of tax)			(2,003)			(2,022)

^a Included in the plan assets is £1.1bn (FY25: £1.1bn) related to the ABF arrangement. This is the difference between the legal entity and consolidated BTPS deficit of £4,162m (FY25: £4,007m).

^b The balance sheet position comprises plans in surplus of £25m (FY25: £11m) and plans in deficit of £38m (FY25: £43m). Included in the liabilities is £38m (FY25: £40m) 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 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)
Service cost (including administration expenses and PPF levy)	(18)	(5)	(23)
Interest on pension deficit	1,841	(1,978)	(137)
Return on plan assets below pensions interest on assets	(445)	—	(445)
Actuarial gain arising from changes in financial assumptions	—	92	92
Actuarial (loss) arising from changes in demographic assumptions	—	(182)	(182)
Actuarial (loss) arising from experience adjustments	—	(124)	(124)
Regular contributions by employer	42	—	42
Deficit contributions by employer	601	—	601
Benefits paid	(2,781)	2,781	—
Other movements	(16)	16	—
At 31 March 2026	32,142	(35,247)	(3,105)

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 £1.1bn as at 31 March 2026 (FY25: £1.2bn). The fair value of the ABF is £1.1bn at 31 March 2026 (FY25: £1.1bn). This value allows for the probability of the BTPS becoming fully funded, and the payments to the BTPS ending early.

The fair value of the ABF is included in the assets of the BTPS when assessing the funding deficit and the IAS 19 deficit in the company accounts. Payments from the ABF to the 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 19 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 the 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 19 of the BT plc consolidated financial statements.

19. 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 29 to the consolidated financial statements of BT plc.

Notes to the parent company financial statements continued

20. 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, any ineffectiveness is automatically recognised in the income statement because changes in the measurement of both the hedging instrument and the hedged item are reported through the income statement.

Other derivatives

In line with BT Group's policy, the company does not 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 2026	Current asset £m	Non-current asset £m	Current liability £m	Non-current liability £m
Designated in a cash flow hedge	50	792	67	258
Designated in a fair value hedge	1	4	2	20
Other	17	101	16	35
Total derivatives	68	897	85	313
At 31 March 2025				
Designated in a cash flow hedge	104	843	82	338
Designated in a fair value hedge	—	1	—	—
Other	26	182	24	53
Total derivatives	130	1,026	106	391

Instruments designated in a cash flow hedge include interest rate swaps and cross-currency swaps hedging sterling, euro, US dollar, Japanese yen and Norwegian krone denominated borrowings. Forward currency contracts are taken out to hedge step up interest on currency denominated borrowings relating to the 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).

Notes to the parent company financial statements continued

20. Derivatives continued

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.

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

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

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

All hedge relationships were fully effective in the period. See note 15 for details of the movements in the cash flow hedge reserve.

Other derivatives include £67m (FY25: £122m) in relation to BT plc's interest in the ABF funding arrangement for the BTPS. Further information is disclosed in note 19 of the BT plc consolidated financial statements.

21. Divestments and assets & liabilities classified as held for sale

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

We classify non-current assets, or groups of assets and associated liabilities that together form a disposal group, as 'held for sale' when their carrying amount will be recovered principally through disposal rather than continuing use and the sale is highly probable. A sale is considered to be highly probable when management are committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed divestment within one year from the date of classification. We measure non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs of disposal. Intangible assets, property, plant and equipment and right-of-use assets classified as held for sale are not depreciated or amortised.

Upon completion of a divestment, we recognise a profit or loss on disposal calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest less costs incurred in disposing of the asset or disposal group, and (ii) the carrying amount of the asset or disposal group.

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 initiated an active programme to explore options to optimise its non-core or global business. At 31 March 2025, management was committed to a plan to sell BT Radianz business, which provides connectivity solutions to multiple customers in the UK. The sale was considered to be highly probable and expected to complete within a year. Accordingly, the associated assets and liabilities had been presented as held for sale at 31 March 2025.

During FY26, the company entered into a business transfer agreement and transferred the assets and liabilities of BT Radianz business to its subsidiary, BT Quartz Paddington Limited, at carrying value. The company applies the predecessor value method of accounting when it enters into a business transfer agreement within its subsidiary (see accounting policies as disclosed in Note 7). The difference between the carrying amount of the net assets transferred and the consideration received was recognised directly in equity. The company subsequently completed the disposal of BT Quartz Paddington Limited to Transaction Network Services in February 2026.

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

Divestments

During the year, the company completed the sale of BT Quartz Paddington Limited. As the company does not present an income statement (see Note 1), it does not provide a disclosure of the profit or loss recognised on its divestment.

Assets and liabilities held for sale

There were no assets and liabilities classified as held for sale at 31 March 2026 (2025: £13m assets and £6m liabilities). The disposal group held for sale in FY25 comprised the following assets and liabilities:

	2026	2025
	£m	£m
At 31 March		
Assets		
Intangible assets	—	3
Property, plant and equipment	—	5
Right-of-use assets	—	2
Trade and other receivables	—	3
Assets held for sale	—	13
Liabilities		
Trade and other payables	—	3
Lease liabilities	—	2
Current tax liability	—	1
Liabilities held for sale	—	6

Notes to the parent company financial statements continued

22. Post balance sheet events

On 15 June 2026, the Board of British Telecommunications plc approved the re-registration of the Company from a public limited company to a private limited company. There is no impact on the financial statements from this change.

On 2 June 2026, BT, through BT Finance plc, issued a €850m senior bond due on 2 June 2034 under its European Medium Term Note programme, with a coupon of 3.875%, and the proceeds were on-lent to the Company on identical terms.

Related undertakings

Company name	Group interest in allotted capital ^a	Share class
Held directly		
Bermuda		
Century House, 16 Par-la-Ville Road, Hamilton, HM08, Bermuda		
Communications Global Network Services Limited	100%	ordinary
China		
Building 16, 6th Floor, Room 602-B, No. 269 Wuyi Road, Hi-tech Park, Dalian, 116023, China		
BT Technology (Dalian) Company Limited	100%	registered
Italy		
Via Filippo Sassetti 32, Milano, Italy		
BT Italia S.p.A.	99%	ordinary
Isle of Man		
Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man		
Communicator Insurance Company Limited	100%	ordinary
Luxembourg		
12 rue Eugene Ruppert, L 2453, Luxembourg		
BT Global Services Luxembourg SARL	100%	ordinary
Netherlands		
Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands		
BT Nederland N.V.	100%	ordinary
Republic of Ireland		
5th Floor, 2 Grand Canal Plaza, Upper Grand Canal Street, Dublin 4, Ireland		
The Faraday Procurement Company Limited	100%	ordinary
United Kingdom		
1 Braham Street, London, E18EE, United Kingdom		
Autumnwindow Limited	100%	ordinary
Autumnwindow No.2 Limited	100%	ordinary
Autumnwindow No.3 Limited	100%	ordinary
BPSLP Limited	100%	ordinary
Bruning Limited	100%	ordinary
BT (RRS LP) Limited	100%	ordinary
BT Corporate Trustee Limited	100%	limited by guarantee
BT European Investments Limited	100%	ordinary
BT Euston Holdings UK Limited	100%	ordinary
BT Finance plc	100 %	ordinary
BT Holdings Limited	100%	ordinary
BT IoT Networks Limited	100%	ordinary
BT Ninety-Seven Limited	100%	ordinary
BT Nominees Limited	100%	ordinary
BT Paddington Holdings UK Limited	100%	ordinary
BT Property Holdings (Aberdeen) Limited	100%	ordinary

BT Property Limited	100%	ordinary
BT Quartz Euston Limited	100%	ordinary
BT Quartz Holdings UK Limited	100%	ordinary
BT SLE Euro Limited	100%	ordinary
BT SLE USD Limited	100%	ordinary
BT Solutions Limited	100%	ordinary
EE Group Investments Limited	100%	ordinary
Newgate Street Secretaries Limited	100%	ordinary
Radianz Limited	100%	ordinary
Southgate Developments Limited	100%	ordinary
Alexander Bain House, 15 York Street, Glasgow, Lanarkshire, G2 8LA, Scotland		
BT Corporate Limited	99%	ordinary
BT Falcon 1 LP	50 %	–
Holland House (Northern) Limited	100%	ordinary
6 Gracechurch Street, London, EC3V 0AT, United Kingdom		
Openreach Limited	100%	ordinary
Endeavour, Sheffield Digital Campus, 1a Concourse Way, Sheffield, S1 2BJ, United Kingdom		
Plusnet plc	100%	ordinary
Held via other group companies		
Algeria		
20 Micro zone d'Activités Dar El Madina, Bloc B, Loc N01 Hydra, Alger, 16000, Algeria		
BT Algeria Communications SARL	100%	ordinary
Argentina		
Maipu No 1210, piso 8 (C1006), Buenos Aires, Argentina		
BT Argentina S.R.L.	100%	ordinary
Australia		
Level 20, 420 George Street, Sydney, NSW 2000, Australia		
BT Australasia Pty Limited	100%	ordinary
Austria		
Louis-Häfliger-Gasse 10, 1210, Wien, Austria		
BT Austria GmbH	100%	ordinary
Azerbaijan		
AZ 1025 The Azure Business Center, 20th Floor, c/o BDO Azerbaijan LLC, Z1025, Khatai district, Afigaddin Jalilov 26, apt.177, Azerbaijan		
BT Azerbaijan Limited, Limited Liability Company	100%	ordinary
Bahrain		
Suite #2216, Building No. 2504, Road 2832, Al Seef, P.O. BOX 18259, Bahrain		
BT Solutions Limited (Bahrain Branch) ^b	100%	–
Bangladesh		
UTC Building, 19th Floor, Kawran Bazar, Dhaka, 1215, Bangladesh		
BT Communications Bangladesh Limited	100%	ordinary
Barbados		
3rd Floor, The Goddard Building, Haggatt Hall, St. Michael, BB11059, Barbados		
BT (Barbados) Limited	100%	ordinary
Belarus		
58 Voronyanskogo St, Office 89, Minsk 220007, Belarus		

BT BELRUS Foreign Limited Liability Company	100%	ordinary
Belgium		
Telecomlaan 9, 1831 Diegem, Belgium		
BT Global Services Belgium BV	100%	ordinary
Global Security Europe Limited – Belgian Branch ^b	100%	–
Rue des Guillemins 129, 4000 Liege, Belgium		
IP Trade SA	100%	ordinary
Bolivia		
Avda. 6 de Agosto N° 2700, Torre Empresarial CADECO, Piso 4, La Paz, Bolivia		
BT Solutions Limited Sucursal Bolivia ^b	100%	–
Bosnia and Herzegovina		
Trg Heroja 10/1, Sarajevo, 71000, Bosnia and Herzegovina		
BTIH Teleconsult Društvo sa organiceonom odgovornoscju za posredovanje i zastupanje d.o.o. Sarajevo	100%	–
Botswana		
Plot 2482b, Tshekedi Crescent, Extension 9, Gaborone, 211008, Bontleng, Botswana		
BT Global Services Botswana (Proprietary) Limited	100%	ordinary
Brazil		
Avenida Dr. Ruth Cardoso, 4777 – 14 andar, A parte, Pinheiros, São Paulo, SP, 05477-000, Brazil		
BT Communications do Brasil Limitada	100%	quotas
BT Global Communications do Brasil Limitada	100%	quotas
Bulgaria		
51B Bulgaria Blvd., fl. 4, Sofia, 1404, Bulgaria		
BT Bulgaria EOOD	100%	ordinary
BT Global Europe B.V. – Bulgaria branch ^b	100 %	–
Canada		
100 King Steet West, Suite 6200, 1 Canadian Place, Toronto ON M5X 1B8, Canada		
BT Canada Inc.	100%	common
Chile		
Rosario Norte 407, Piso 6, Las Condes, Santiago, Chile		
Servicios de Telecomunicaciones BT Global Networks Chile Limitada	100%	ordinary
China		
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

Related undertakings continued

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., odstěpný závod ^b	100%	–
Denmark		
Norre Farimagsgade 13, 4. th, 1364 Kobenhavn K, Denmark		
BT Denmark ApS	100%	ordinary
Dominican Republic		
Rafael Augusto Sanchez No. 86, Torre Roble Corporate Center, Piso 7, Dominican Republic		
BT Dominican Republic, S. A.	100%	ordinary
Ecuador		
Av. Amazonas N21-252 y Carrión, Edificio Londres, 4° Piso, Quito, Ecuador		
BT Solutions Limited (Sucursal Ecuador) ^b	100%	–
Egypt		
Unit no. 306 Administrative Second Floor, Al Saraya Mall, Al Mehwar Al- Markazy, Giza, Egypt		
BT Telecom Egypt LLC	100%	stakes
El Salvador		
Edificio Avante Penthouse Oficina, 10-01 Y 10-03 Urbanización, Madre Selva, Antiguo Cuscatlan, La Libertad, El Salvador		
BT El Salvador, Limitada de Capital Variable	100%	ordinary
Finland		
Mannerheimivägen 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				
Boulevard San Juan Bosco, Plaza Ficohsa, 3ern nivel, Frente a Ruby Tuesday, Lomas del Gujarro Sur, 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. Magyarországi Fioktelepe ^b	100%	–		
BT Limited Magyarországi Fioktelepe ^b	100%	–		
BT ROC Kft	100%	business		
India				
11th Floor, Eros Corporate Tower, Opp. International Trade Tower, Nehru Place, New Delhi, 110019, India				
BT (India) Private Limited	100%	ordinary		
BT e-Serv (India) Private Limited	100%	equity		
BT Global Communications India Private Limited	100%	ordinary		
BT Telecom India Private Limited	100%	ordinary		
A-47, Hauz Khas, New Delhi, Delhi-DL, 110016, India				
Orange Services India Private Limited	100%	ordinary		
Indonesia				
Menara Astra, 37F. Jl. Jendral Sudirman Kav 5-6, Jakarta Pusat, Jakarta, 10220, Indonesia				
PT BT Indonesia	100%	ordinary		
PT BT Communications Indonesia	95%	ordinary		
Isle of Man				
Third Floor, St Georges Court, Upper Church Street, Douglas, IM1 1EE, Isle of Man				
Belmullet Limited	100%	ordinary		
Priestgate Limited	100%	ordinary		
Israel				
Beit Oz, 14 Abba Hillel Silver Rd, Ramat Gan, 52506, Israel				
B.T. Communication Israel Ltd	100%	ordinary		
Italy				
Viale Abruzzi n. 94 , 20131 Milan, Italy				
Global Security Europe Limited ^b	100%	–		
Jamaica				
Suite #6, 9A Garelli Avenue, Half way tree, St. Andrew, Kingston 10, Jamaica				

BT Jamaica Limited	100%	ordinary
Japan		
ARK Mori Building, 12-32 Akasaka, 1-Chome, Minato-Ku, Tokyo, 107 – 6018, Japan		
BT Japan Corporation	100%	ordinary
Jersey		
IFC5, St Helier, JE1 1ST, Jersey		
BT Jersey Limited	100%	ordinary
Jordan		
Wadi AlSer – Dahiet Prince Rashid – King Abdullah Street, Building No. 391 – 3rd Floor, Jordan		
BT (International) Holdings Limited (Jordan)	100%	ordinary
Kazakhstan		
n.p.38b, Building 5, Kaiym Mukhamedkhanov Street, Nura District, Astana, Index 010000, Kazakhstan		
BT Kazakhstan LLP	100%	–
Kenya		
L R No, 1870/ 1/176, Aln House, Eldama Ravine close, off Eldama Ravine Road, Westlands, P O Box 764, Sarit Centre, Nairobi, 00606, Kenya		
BT Communications Kenya Limited	70%	ordinary
Korea		
Level 19, Hana Securities Building,, 82, Uisadang-daero,, Yeongdeungpogu, Seoul, 07321, Korea, Republic of Korea		
BT Global Services Korea Limited	100%	common
Latvia		
Muitas iela 1A, Riga, LV-1010, Latvia		
BT Latvia Limited, Sabiedriba ar ierobežotu atbildību	100%	ordinary
Lebanon		
Abou Hamad, Merheb, Nohra & Chedid Law Firm, Chbaro Street, 22nd Achrafieh Warde Building, 1st Floor, Beirut, P.O.BOX 165126, Lebanon		
BT Lebanon S.A.L.	100%	ordinary
Lithuania		
Aludariu str 2-33, LT-01113 Vilnius, Lithuania		
UAB BTH Vilnius	100%	ordinary
Luxembourg		
12 rue Eugene Ruppert, L 2453, Luxembourg		
BT Broadband Luxembourg Sàrl	100%	ordinary
Malawi		
KEZA Office Park Blocks 3, First Floor, Near Chichiri, Shopping Mall, Blantyre, Malawi		
BT Malawi Limited	100%	ordinary
Malaysia		
Suite 47A, Level 21, Menara 1 Sentrum, 201, Jalan Tun Sambanthan, Brickfields, Kuala Lumpur, 50470 W.P. Kuala Lumpur, Malaysia		
BT Global Technology (M) Sdn. Bhd.	100%	ordinary
BT Systems (Malaysia) Sdn Bhd	100%	ordinary
Mauritius		
c/o Deloitte, 7th Floor Standard Chartered Tower, 19-21 Bank Street, Cybercity, Ebène, 72201, Mauritius		
BT Global Communications (Mauritius) Limited	100%	ordinary
Mexico		
Boulevard Manuel Avila Camacho No. 32, 6th Floor, Lomas de Chapultepec III Section, Miguel Hidalgo, Mexico City CP11000		

Related undertakings continued

BT LatAm México, S.A. de C.V.	100%	common
Montenegro		
BULEVAR SVETOG , PETRA , CETINJSKOJ 149, PODGORICA, Montenegro		
BT Montenegro DOO	100%	–
Morocco		
Bd. Abdelmoumen, Immeuble Atrium, n 374, Lot. Manazyl Al Maymoune, 5eme etage, Casablanca, 20390, Morocco		
BT Solutions Limited – Morocco Branch ^b	100%	–
Mozambique		
Rua Jose Mateus, No. 55, Ground Floor, City of Maputo, Mozambique		
BT Mozambique, Limitada	100%	quotas
Namibia		
Unit 3, 2nd floor, Ausspann Plaza, Dr Agostinho Neto Road, Ausspannplatz, Private Bag, Windhoek, 12012, Namibia		
BT Solutions Limited ^b	100%	–
Netherlands		
Herikerbergweg 2, 1101 CM, Amsterdam, Netherlands		
BT Global Europe B.V.	100%	ordinary
BT (Netherlands) Holdings B.V.	100%	ordinary
Wegastraat 58, The Hague, 2516 AP, Netherlands		
Global Security Europe Limited ^b	100%	–
New Zealand		
c/o Deloitte, Level 20, 1 Queen Street, Auckland Central, Auckland, 1010, New Zealand		
BT Australasia Pty Limited – New Zealand Branch ^b	100%	–
Nicaragua		
De donde fué el Restaurante Marea Alta Ahora quesillos, El Pipe, 2 cuadras al este, 10 Metros al norte, frente al, Hotel El Gran Marquez, Casa #351, Nicaragua, 2815, Nicaragua		
BT Nicaragua S.A.	100%	capital
Nigeria		
Civic Towers, Plot GA1, Ozumba Mbadiwe Avenue, Victoria Island, Lagos, Nigeria		
BT (Nigeria) Limited	100%	ordinary
North Macedonia		
Str. Dame Gruev no.8, 5th floor, Building “Dom na voenite invalidi”, Skopje 1000, North Macedonia		
BT Solutions Limited Branch Office in Skopje ^b	100%	–
Norway		
Munkedamsveien 45, Oslo, 0121, Norway		
BT Solutions Norway AS	100%	ordinary
Oman		
Maktabi Building, Building No. 458, Unit No. 413 4th Floor, Road No – R41, Block No. 203, Plot No. 107, Zone No. SW41, Complex No. 271, Al Watiyah, Basher, 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 %	ordinary
BT Communications Ireland Group Limited	100%	ordinary
BT Communications Ireland Holdings Limited	100 %	ordinary
Whitestream Industries Limited	100 %	ordinary
Romania		
Cladirea A1, Biroul Nr. 52, Nr 35-37, Str. Oltenitei, Sector 4, Bucharest, Romania		
BT Global Services Limited Londra Sucursala Bucuresti ^b	100%	–
Russia		
Room 62, prem xx, Floor 2, Pravdy, 26, 127137, Moscow, Russian Federation		
BT Solutions Limited Liability Company	100%	–
Serbia		
Dimitrija Georgijevica Starike 20, Belgrade, 11070, Serbia		
BT Belgrade d.o.o	100%	ordinary
Sierra Leone		
84 Dundas Street, Freetown, Sierra Leone		

BT (SL) Limited	100%	ordinary
Singapore		
7 STRAITS VIEW, #05-01, MARINA ONE EAST TOWER, SINGAPORE , 018936, Singapore		
BT (India) Private Limited Singapore Branch ^b	100%	–
BT Global Solutions Pte. Ltd.	100%	ordinary
BT Singapore Pte. Ltd.	100%	ordinary
Slovakia		
Pribinova 10, 811 09, Bratislava , mestské èast' Staré Mesto, Slovakia		
BT Slovakia s.r.o.	100%	ordinary
Slovenia		
Cesta v Mestni Log 1, Ljubljana, 1000, Slovenia		
BT GLOBALNE STORITVE, telekomunikacijske storitve, obdelava podatkov, podatkovnih baz; d.o.o.	100%	ordinary
South Africa		
74 Waterfall Drive, Buidling 5, Waterfall Corporate Campus, Midrand 2066, South Africa		
BT Communications Services South Africa (Pty) Limited	70%	ordinary
BT Building, Woodmead North Office Park, 54 Maxwell Drive, Woodmead, Johannesburg, 2191, South Africa		
BT Limited ^b	100%	–
Spain		
C/ María Tubau, 3, 28050 de Madrid, Spain		
BT Global ICT Business Spain SLU	100%	ordinary
Sri Lanka		
100, Braybrooke Place, Colombo 02, Sri Lanka		
BT Communications Lanka (Private) Limited	100%	ordinary
Sudan		
Alskheikh Mustafa Building, Parlman Street, Khartoum, Sudan		
Newgate Communication (Sudan) Co. Ltd	100%	ordinary
Sweden		
c/o BDO Sweden (Skatteavdelning), Box 6343, 102 35, Stockholm, Sweden		
BT Nordics Sweden AB	100%	ordinary
Switzerland		
Richtstrasse 5, 8304 Wallisellen, Switzerland		
BT Switzerland AG	100%	ordinary
Taiwan		
City , Taiwan (R.O.C.), 110501, 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

Related undertakings continued

No.63 Athenee Tower, 23rd Floor (CEO Suite, Room No.38), Wireless Road, Kwaeng Lumpini, Khet Pathumwan, Bangkok, 10330, Thailand		
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		
1st Floor, Ericsson House, 24B Akii Bua Road, Nakasero , Uganda		
BT Solutions Limited ^b	100%	–
Ukraine		
Office 702, 34 Lesi Ukrainky Boulevard, Kyiv 01042, Ukraine		
BT Ukraine Limited Liability Company	100%	stakes
United Arab Emirates		
Office no 315-318, DIC Building No. 10, Dubai Internet City, PO Box 25205, Dubai , United Arab Emirates		
BT MEA FZ-LLC	100%	ordinary
Office no.206 BLOCK B, Diamond Business Center 1, Al Barsha South Third, Dubai, P.O. BOX 25205, United Arab Emirates		
BT UAE Limited – Dubai Branch (1) ^b	100%	–
BT UAE Limited – Dubai Branch (2) ^b	100%	–
United Kingdom		
1 Braham Street, London, E18EE, 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	100%	ordinary
Communications Global Network Services Limited – UK Branch ^b	100%	–
Communications Networking Services (UK)	100%	ordinary
EE (Group) Limited	100%	ordinary
EE Limited	100%	ordinary
EE Pension Trustee Limited	100%	ordinary

ESAT Telecommunications (UK) Limited			100%	ordinary
Extraclick Limited			100%	ordinary
Global Security Europe Limited			100%	ordinary
Mainline Communications Group Limited			100%	ordinary
Mainline Digital Communications Limited			100%	ordinary
Numberrapid Limited			100%	ordinary
Tudor Minstrel			100%	ordinary
Orange Furbs Trustees Limited			100%	ordinary
Orange Home UK Limited			100%	ordinary
Orange Personal Communications Services Limited			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 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%	–
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Venezuela

Calle Guaicaipuro, Urbanizacion El Rosal, Municipio Chacao, Oficina 11B, Piso 11, Torre Forum, Caracas, Venezuela

BT LatAm Venezuela, S.A.			100%	ordinary
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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
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Zambia

Plot No. 11058, Haile Selassie Avenue, Zimbabwe, Lusaka, Lusaka Province, 34972, Zambia

BT Solutions Limited ^b			100%	–
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Zimbabwe

6th Floor, Goldbridge Eastgate, Sam Nujoma Street Harare, Post Box 10400, Zimbabwe

Numberrapid Limited ^b			100%	–
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Associates

Company name	Group interest in allotted capital ^a	Share class
Held directly		
United Kingdom		
2nd Floor, Churchill House, 26-30 Upper Marlborough Road, St Albans, AL13RD, United Kingdom		
AA Realisations Limited	23%	preference

2nd Floor, Aldgate Tower, 2 Leman Street, London, E1 8FA, United Kingdom		
Youview TV Limited	20%	voting

Held via other group companies

Philippines

32F Philam Life Tower, 8767 Paseo de Roxas, Makati City, Philippines

ePLDTSunphilcox JV, Inc	20%	ordinary
SunPhilcox JV, Inc	20%	ordinary

United Kingdom

24/25 The Shard, 32 London Bridge Street, London, SE1 9SG, United Kingdom

Digital Mobile Spectrum Limited	33%	ordinary
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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%	–

Related undertakings continued

Joint operations

Company name	Group interest in allotted capital ^a	Share class
Held via other group companies		
United Kingdom		
450 Longwater Avenue, Green Park, Reading, Berkshire, RG2 6GF, United Kingdom		
Mobile Broadband Network Limited	50%	ordinary

EE Limited and Hutchison 3G UK Limited (together 'the Companies') each have a 50% share in the joint operation Mobile Broadband Network Limited ('MBNL'). MBNL's ongoing purpose is the operation and maintenance of radio access sites for mobile networks through a sharing arrangement. This includes: (i) the efficient management of shared infrastructure for both shareholders, (ii) acquiring certain network elements for shared use, and (iii) coordinating the deployment of new sites, infrastructure and networks on either a shared or a unilateral basis (unilateral elements being network assets or services specific to one company only). The group is committed to incurring 50% of costs in respect of restructuring the shared MBNL network, a broadly similar proportion of the operating costs (which varies in line with usage), and 100% of any unilateral elements.

MBNL is accounted for as a joint operation.

Guarantees for the joint operation are given by British Telecommunications plc and CK Hutchison Holdings Limited.

The principal place of business of the joint operation is in the UK.

^a The proportion of voting rights held corresponds to the aggregate interest in percentage held by the holding company and subsidiaries undertaking.

^b No shares issued for a branch.

^c In addition to the 50% ordinary A shares we also hold A preference shares and C preference shares, see note 23 for more details.

Subsidiaries exempt from audit

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 IoT Networks Limited	2329342	Global Security Europe Limited	12290726
Autumnwindow No.2 Ltd	4312827	BT Limited	2216369	Holland House (Northern) Limited	SC390251
BPSLP Limited	11251566	BT Ninety-Seven Limited	14017603	Mainline Communications Group Limited	2862068
Bruning Limited	4958289	BT Property Holdings (Aberdeen) Limited	10255933	Mainline Digital Communications Limited	2973418
BT (International) Holdings Limited	2216586	BT Sixty-Four Limited	4007415	Numberrapid Limited	4825279
BT (RRS LP) Limited	4109640	BT Sle Euro Limited	7573610	Openreach Limited	10690039
BT European Investments Limited	4276882	BT Sle USD Limited	7573644	Orange Personal Communications Services Limited	2178917
BT Fifty-One	3621755	BT Solutions Limited	4573373	Plusnet plc	3279013
BT Fifty-Three Limited	3621745	BT UAE Limited	4726666	Radianz Limited	3918478
BT Global Security Services Limited	11786115	Communications Networking Services	2840475	Tudor Minstrel	3747023
BT Global Services Limited	2410810	EE (Group) Limited	2439104		
BT Holdings Limited	2216773	ExtraClick Limited ^a	4552808		

^a ExtraClick Limited has a 30 September 2025 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^a
- Adjusted operating costs^a
- Adjusted operating profit^a
- Adjusted finance expense^a
- Adjusted profit before tax^a
- Adjusted UK service revenue; and
- Adjusted EBITDA

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. Specific items may not be comparable to similarly titled measures used by other companies.

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

Movements relating to the sports joint venture (Sports JV) with WBD, such as fair value gains or losses on the A and C preference shares or impairment charges on the equity-accounted investment are also classified as specific. Refer to note 23 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 32.

Adjusted UK service revenue

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

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

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

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

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

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see page 140.

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

Below we reconcile Adjusted UK service revenue by unit:

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

^a Comparative information for the year to 31 March 2025 has been re-presented to reflect the formation of the new International CFU and re-presentation of segmental revenue to reflect the nature of services and trading relationships between units. For more information see note 1 and for a bridge to prior period published financial information see page 140.

Additional Information continued

Adjusted EBITDA

In addition to measuring financial performance of the group and customer-facing units based on adjusted operating profit, we also measure performance based on Adjusted EBITDA. Adjusted EBITDA is defined as the group profit or loss before specific items, net finance expense, taxation, depreciation and amortisation and share of post-tax profits or losses of associates and joint ventures.

We consider Adjusted EBITDA to be a useful measure of our operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. Adjusted EBITDA is not a direct measure of our liquidity, which is shown by our cash flow statement, and needs to be considered in the context of our financial commitments.

A reconciliation of reported profit for the period, the most directly comparable IFRS measure, to Adjusted EBITDA, is set out below.

Year ended 31 March	2026 £m	2025 £m
Reported profit for the period	1,725	1,781
Tax	359	280
Reported profit before tax	2,084	2,061
Net finance expense	602	417
Depreciation and amortisation, including impairment charges	4,913	4,978
Specific revenue	(8)	12
Specific operating costs before depreciation and amortisation	428	727
Share of post-tax losses (profits) of associates and joint ventures	210	8
Adjusted EBITDA	8,229	8,203

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

As explained in note 33, certain FY25 comparatives have been re-presented to reflect changes to the Group's internal reporting structure and to align segmental and revenue disclosures with the information now used internally for management reporting. These include the formation of the International CFU, updates to segmental revenue classifications, and refinements to the disaggregation of revenue following changes in system granularity. The related re-presentations have also been reflected in the Adjusted UK service revenue additional performance measure to ensure consistency with the revised basis of reporting.

Adjusted UK service revenue

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

Cautionary statement regarding forward-looking statements

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

Forward-looking statements relate to all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. These statements can be identified by the use of forward-looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology.

Forward-looking statements in this Annual Report and Accounts are not guarantees of future performance. All forward-looking statements in this Annual Report and Accounts are based upon

information known to the Company on the date of this Annual Report and Accounts. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward-looking statements, which speak only at their respective dates. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. Nothing in this Annual Report and Accounts shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.