

British Telecommunications Plc

Results for the half year to 30 September 2021

11 November 2021

About BT

British Telecommunications Plc (BT or group) is a wholly-owned subsidiary of BT Group Investments Ltd, which encompasses virtually all businesses and assets of the BT Group. The ultimate parent company is BT Group plc, which is listed on the London Stock Exchange.

BT is the UK's leading telecommunications and network provider and a leading provider of global communications services and solutions, serving customers in 180 countries. Its principal activities in the UK include the provision of fixed voice, mobile, broadband and TV (including Sport) and a range of products and services over converged fixed and mobile networks to consumer, business and public sector customers. For its global customers, BT provides managed services, security and network and IT infrastructure services to support their operations all over the world. BT consists of four customer-facing units: Consumer, Enterprise, Global and its wholly-owned subsidiary, Openreach, which provides access network services to over 650 communications provider customers who sell phone, broadband and Ethernet services to homes and businesses across the UK.

The directors at 30 September 2021 were Simon Lowth, Neil Harris, Martin Smith, Edward Heaton and Daniel Rider. Martin Smith was appointed on 13 July 2021, all other directors served throughout the period. Ulrica Fearn resigned on 15 June 2021.

Half year to 30 September	2021	2020	Change
	£m	£m	%
Reported measures			
Revenue	10,305	10,590	(3)
Profit before tax	1,072	1,161	(8)
Profit after tax	494	936	(47)
Capital expenditure ¹	2,563	1,969	30
Adjusted measures			
Adjusted ² Revenue	10,308	10,607	(3)
Adjusted ² EBITDA	3,750	3,723	1
Capital expenditure excluding spectrum	2,067	1,969	5

Customer-facing unit results for the half year to 30 September 2021

	Adjusted ² revenue			Adjusted ² EBITDA		
Half year to 30 September	2021 £m	2020 £m	Change %	2021 £m	2020 £m	Change %
Consumer	4,857	4,873	—	1,077	1,075	—
Enterprise	2,572	2,710	(5)	852	833	2
Global	1,654	1,916	(14)	207	289	(28)
Openreach	2,707	2,585	5	1,561	1,453	7
Other	14	12	17	53	73	(27)
Intra-group items	(1,496)	(1,489)	—	—	—	—
Total	10,308	10,607	(3)	3,750	3,723	1

¹ Includes investment in spectrum of £496m.

² See Glossary below.

Glossary of alternative performance measures

Adjusted	Before specific items. Adjusted results are consistent with the way that financial performance is measured by management and assist in providing an additional analysis of the reported trading results of the Group.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Adjusted EBITDA	EBITDA before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense.
Capital expenditure	Additions to property, plant and equipment and intangible assets in the period.
Specific items	Items that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In the current period these relate to retrospective regulatory matters, restructuring charges, divestment-related items, Covid-19 related items, net interest expense on pensions and tax charge on specific items.

We assess the performance of the Group using alternative performance measures. See Additional Information on page 21.

Group results for the half year to 30 September 2021

Income statement

Reported revenue was £10,305m, down 3%, primarily due to ongoing legacy product declines, the impact of prior year divestments and foreign exchange. This was partially offset by stronger recurring BT Sport revenue as a result of the easing of lockdown restrictions, and higher rental bases in fibre-enabled products and Ethernet. Revenue has grown in Openreach, was flat in Consumer, but declined in Enterprise and Global as a result of challenging market conditions.

Reported operating costs were £8,865m, down 3%, primarily due to lower indirect commissions, savings from our modernisation programme and tight cost control, partly offset by higher Openreach repairs and provision costs and higher programme rights costs as the prior year benefited from sports rights rebates due to Covid-19. Adjusted¹ EBITDA of £3,750m was up 1%, or £27m. Reported profit before tax of £1,072m was down 8%, primarily due to higher finance expenses.

Specific items (Note 5 to the condensed consolidated financial statements)

Specific items resulted in a net charge after tax of £583m (FY21: £94m). The components include regulatory charges of £3m (FY21: £18m), restructuring charges of £135m (FY21: £155m), divestment-related charges of £5m (FY21: credit of £66m), Covid-19 related credit of £2m (FY21: £nil), interest expense on pensions of £47m (FY21: £9m), and a tax charge on specific items of £395m (FY21: credit of £30m).

Tax

The effective tax rate on reported profit was 53.9% (FY21: 19.4%), which mainly reflects the remeasurement of our deferred tax balances following the enactment of the new UK corporation tax rate of 25% from April 2023. The corresponding adjustment comprises a one-off tax charge of £439m in the income statement and a non-recurring tax credit of £298m in the statement of comprehensive income.

The effective tax rate on adjusted¹ profit was 14.5%, based on our current estimate of the full year effective tax rate. This is lower than last year (FY21: 19.8%) as we expect a large proportion of our capital spend on fibre roll-out to be eligible for Government's super-deduction regime, which allows tax relief for qualifying capital expenditure.

A net UK deferred tax charge has been recorded, reflecting the deferred tax liability arising on qualifying capital expenditure, offset in part by a deferred tax asset on the current period tax loss.

Capital expenditure

Capital expenditure was £2,563m (FY21: £1,969m), with the increase primarily due to investment in spectrum of £496m, and increased FTTP and mobile network investment.

Cash flow

Net cash inflow from operating activities was £2,392m, down 12%, mainly driven by cash generated from operations as a result of working capital movements.

Balance sheet

At 30 September 2021 the Group held cash and current investment balances of £4.1bn. The current portion of loans and other borrowings is £1.4bn; we have no term debt maturities in FY22. Our £2.1bn revolving credit facility, which matures in March 2026, remains undrawn at 30 September 2021.

Pensions (Note 6 to the condensed consolidated financial statements)

The gross IAS 19 deficit has increased from £5.1bn at 31 March 2021 to £5.3bn at 30 September 2021. This mainly reflects a 29bps fall in the real discount rate, partially offset by positive asset returns and deficit contributions over the period. Net of deferred tax, the deficit has increased from £4.2bn at 31 March 2021 to £4.3bn at 30 September 2021.

¹ See Glossary on page 1.

Operating review

Measures discussed in the operating review are on an adjusted basis.

Consumer: On track with solid trading and strong EBITDA performance

Half year to 30 September				
	2021	2020	Change	
	£m	£m	£m	%
Revenue ¹	4,857	4,873	(16)	—
Operating costs ¹	3,780	3,798	(18)	—
EBITDA ²	1,077	1,075	2	—
Depreciation & amortisation	701	635	66	10
Operating profit ¹	376	440	(64)	(15)
Capital expenditure	518	505	13	3

Revenue was broadly flat for the half year helped by higher direct handset sales, although these were constrained by stock limitations with ongoing global supply chain issues. Additionally stronger year on year BT Sport revenue helped offset lower postpaid mobile revenue.

EBITDA last year benefited from one-off sports rights rebates. In the current year lower indirect commissions and a strong underlying performance reflecting tight cost management more than offset the benefit of these prior year rebates.

Capital expenditure was up, due to higher mobile network and customer equipment investment.

Our 5G ready base now stands at over 5.2m helped by the new Apple and Samsung launches. Our strong customer focus has continued to result in churn nearing record lows.

In August, RootMetrics named EE's 5G network as delivering the best experience of any operator. This built upon EE's mobile network being confirmed as the UK's best for the eighth year running in July.

We are continuing discussions regarding the future of BT Sport.

¹ Adjusted (being before specific items). See Glossary on page 1.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See Glossary on page 1.

Enterprise: EBITDA growth driven by strong cost performance

	Half year to 30 September			
	2021 £m	2020 £m	Change £m %	
Revenue ¹	2,572	2,710	(138)	(5)
Operating costs ¹	1,720	1,877	(157)	(8)
EBITDA ²	852	833	19	2
Depreciation & amortisation	356	367	(11)	(3)
Operating profit ¹	496	466	30	6
Capital expenditure	254	229	25	11

Revenue declined in the half year due to continued declines in legacy products and the ending of some legacy contracts. Revenue has shown an improved trend compared to the 9% decline in the prior year.

Retail mobile revenue was up 2%, reflecting a 2% growth in our postpaid mobile base. Wholesale mobile revenue declined by 15% primarily due to the ongoing migration of an MVNO customer. Total fixed revenue was down 7% due to declines in legacy calls and lines, partially offset by growth in new products.

EBITDA increased in the half year, driven by lower costs including the benefit of our cost transformation programme, strong delivery performance in our Emergency Services Network and a £10m gain on fixed asset disposals in Wholesale, partly offset by the impact of legacy declines.

Operating profit increased in the half year, in line with EBITDA performance.

Capital expenditure was up due to increased investment in product development as well as in our transformation programme.

Retail order intake in H1 was £1.3bn, up 11%, helped by a major contract win in the corporate sector. On a 12-month rolling basis, Retail order intake fell 15% to £2.7bn and Wholesale order intake fell 18% to £0.9bn. The declines in both retail and wholesale orders are largely due to major contract extensions in Q4 FY20.

The implementation of the new operating model is in its final phase with the creation of Division X in October, which will focus on the solution selling of 5G, Edge, Internet of Things, our healthcare vertical and targeted investments in high growth potential initiatives. We have continued our support for small businesses and launched the Digital Marketing Hub in October, which gives SMEs the platform to access digital advertising. We have also extended our mentoring partnership with Google. This builds on our ongoing focus on the SoHo and SME segment and is reflected in our BT SME relationship Net Promoter Score reaching an all time high.

¹ Adjusted (being before specific items). See Glossary on page 1.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See Glossary on page 1.

Global: Continued challenging market conditions, partly offset by strong cost transformation

Half year to 30 September				
	2021	2020	Change	
	£m	£m	£m	%
Revenue ¹	1,654	1,916	(262)	(14)
Operating costs ¹	1,447	1,627	(180)	(11)
EBITDA ²	207	289	(82)	(28)
Depreciation & amortisation	185	195	(10)	(5)
Operating profit ¹	22	94	(72)	(77)
Capital expenditure	86	81	5	6

Revenue decline was primarily due to the impact of prior year divestments, continued challenging market conditions resulting from Covid-19 and negative foreign exchange movements. Revenue excluding divestments and foreign exchange declined by 5% reflecting reduced customer business activity, resulting in delayed project-based spend and change control sales. The prior year also benefited from increased revenue, including high-margin conferencing minutes, as customers went into lockdown for the first time.

EBITDA decline reflected lower revenue and negative foreign exchange movements, partially offset by lower operating costs from ongoing transformation and rigorous cost control. EBITDA, excluding divestments, one-offs and foreign exchange was down by 21%.

On a rolling 12-month basis order intake was £3.7bn, down 10%. This decline reflects a number of large renewals in the prior year, ongoing delays to purchasing processes and lower than expected levels of demand and non-contracted spend. However the proportion of order intake represented by our growth product portfolio has continued to increase versus the prior year.

We launched a new managed voice service for global businesses based on Microsoft Operator Connect and delivered through its Teams collaboration platform. We also launched a new managed service, based on Cisco ThousandEyes technology.

In October we also launched Eagle-i, our new transformational cyber defence platform for enterprises.

¹ Adjusted (being before specific items). See Glossary on page 1.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See Glossary on page 1.

Openreach: FTTP build accelerating and strong service levels

Half year to 30 September				
	2021	2020	Change	
	£m	£m	£m	%
Revenue ¹	2,707	2,585	122	5
Operating costs ¹	1,146	1,132	14	1
EBITDA ²	1,561	1,453	108	7
Depreciation & amortisation	892	832	60	7
Operating profit ¹	669	621	48	8
Capital expenditure	1,094	1,072	22	2

Revenue growth for the half year was driven by higher rental bases in fibre-enabled products³, up 12%, and Ethernet, up 6%, and higher provisioning due to the Covid-19 impact of suppressed activity in the early part of the prior year. This was partially offset by declines in legacy copper products. Our FTTP base continues to grow; we now have c.1.3m end customers. Over 50% of FTTP orders in Q2 were for ultrafast speeds, and 45% of all FTTP orders in Q2 were from communication providers external to the BT Group.

EBITDA growth was primarily driven by higher revenue and savings from our efficiency programmes, partially offset by higher recruitment, repair and provision costs. The net impact was EBITDA margin expansion to 58%, up from 56% in the prior year.

Depreciation and amortisation grew, driven by increased assets, including network and vehicles. We now have over 600 electric vehicles in our fleet.

Capital expenditure increased, driven by FTTP, with more customers connected and higher network build, partly offset by efficiency savings and lower non-FTTP spend. FTTP now accounts for over half of our capex.

Our FTTP rollout has now reached a footprint of almost 6m.

¹ Adjusted (being before specific items). See Glossary on page 1.

² Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See Glossary on page 1.

³ FTTP, FTTC and Gfast (including Single Order migrations).

Financial statements

Group income statement

For the half year to 30 September 2021

	Note	Before specific items (‘Adjusted’)	Specific items (note 5)	Total (Reported)
		£m	£m	£m
Revenue	2,3	10,308	(3)	10,305
Operating costs	4	(8,727)	(138)	(8,865)
Operating profit (loss)		1,581	(141)	1,440
Finance expense		(388)	(47)	(435)
Finance income		67	—	67
Net finance expense		(321)	(47)	(368)
Share of post tax profit of associates and joint ventures		—	—	—
Profit (loss) before tax		1,260	(188)	1,072
Taxation		(183)	(395)	(578)
Profit (loss) for the period		1,077	(583)	494

For the half year to 30 September 2020

	Note	Before specific items (‘Adjusted’)	Specific items (note 5)	Total (Reported)
		£m	£m	£m
Revenue	2,3	10,607	(17)	10,590
Operating costs	4	(9,036)	(98)	(9,134)
Operating profit (loss)		1,571	(115)	1,456
Finance expense		(398)	(9)	(407)
Finance income		111	—	111
Net finance expense		(287)	(9)	(296)
Share of post tax profit of associates and joint ventures		1	—	1
Profit (loss) before tax		1,285	(124)	1,161
Taxation		(255)	30	(225)
Profit (loss) for the period		1,030	(94)	936

Group statement of comprehensive income

	Half year to 30 September	
	2021	2020
	£m	£m
Profit for the period	494	936
Other comprehensive income (loss)		
Items that will not be reclassified to the income statement		
Remeasurements of the net pension obligation	(700)	(4,089)
Tax on pension remeasurements	475	777
Items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	36	(9)
Fair value movements on assets at fair value through other comprehensive income	7	—
Movements in relation to cash flow hedges:		
– net fair value losses	(128)	(30)
– recognised in income and expense	465	(247)
Tax on components of other comprehensive income that have been or may be reclassified	(78)	55
Other comprehensive income (loss) for the period, net of tax	77	(3,543)
Total comprehensive income (loss) for the period	571	(2,607)

Group balance sheet

	30 September 2021	31 March 2021
	£m	£m
Non-current assets		
Intangible assets	13,873	13,365
Property, plant and equipment	19,745	19,397
Right-of-use assets	4,661	4,863
Derivative financial instruments	1,320	1,165
Investments ²	11,093	11,023
Associates and joint ventures	6	17
Trade and other receivables	316	314
Contract assets	333	344
Deferred tax assets	1,516	989
	52,863	51,477
Current assets		
Programme rights	686	328
Inventories	264	297
Trade and other receivables	2,865	3,277
Contract assets	1,548	1,515
Current tax receivable	281	281
Derivative financial instruments	103	70
Investments	3,673	3,652
Cash and cash equivalents ¹	389	997
	9,809	10,417
Current liabilities		
Loans and other borrowings ¹	1,388	912
Derivative financial instruments	93	88
Trade and other payables	5,902	5,974
Contract liabilities	839	925
Lease liabilities	790	730
Current tax liabilities	132	121
Provisions	295	288
	9,439	9,038
Total assets less current liabilities	53,233	52,856
Non-current liabilities		
Loans and other borrowings	16,282	16,745
Derivative financial instruments	857	1,195
Contract liabilities	156	167
Lease liabilities	5,198	5,422
Retirement benefit obligations	5,261	5,096
Other payables	648	682
Deferred tax liabilities	2,096	1,429
Provisions	422	427
	30,920	31,163
Equity		
Share capital	2,172	2,172
Share premium	8,000	8,000
Other reserves	1,446	1,143
Retained earnings	10,695	10,378
Total equity	22,313	21,693
	53,233	52,856

¹ Bank overdrafts of £73m at 31 March 2021 (31 March 2021: £104m) are included within loans and borrowings.

² £11,054m of the non-current investments relates to amounts owed by the parent company. Refer to note 11.

Group statement of changes in equity

For the half year to 30 September 2021

	Share Capital	Share Premium	Other Reserves	Retained earnings	Total Equity
	£m	£m	£m	£m	£m
At 1 April 2021	2,172	8,000	1,143	10,378	21,693
Profit for the period	—	—	—	494	494
Other comprehensive income (loss) before tax	—	—	(85)	(700)	(785)
Tax on other comprehensive (loss) income	—	—	(78)	475	397
Transferred to the income statement	—	—	465	—	465
Total comprehensive income for the period	—	—	302	269	571
Dividends to shareholders	—	—	—	—	—
Share-based payments	—	—	—	49	49
Other movements	—	—	1	(1)	—
At 30 September 2021	2,172	8,000	1,446	10,695	22,313

For the half year to 30 September 2020

At 1 April 2020	2,172	8,000	1,826	14,609	26,607
Profit for the period	—	—	—	936	936
Other comprehensive income (loss) before tax	—	—	(39)	(4,089)	(4,128)
Tax on other comprehensive (loss) income	—	—	55	777	832
Transferred to the income statement	—	—	(247)	—	(247)
Total comprehensive income for the period	—	—	(231)	(2,376)	(2,607)
Dividends to shareholders	—	—	—	(2,000)	(2,000)
Share-based payments	—	—	—	(8)	(8)
Other movements	—	—	—	1	1
At 30 September 2020	2,172	8,000	1,595	10,226	21,993

Group cash flow statement

For the half year to 30 September

	Half year to 30 September	
	2021 £m	2020 £m
Cash flow from operating activities		
Profit before taxation	1,072	1,161
Share of post tax (profit) loss of associates and joint ventures	—	(1)
Net finance expense	368	296
Operating profit	1,440	1,456
Other non-cash charges	67	25
Loss (profit) on disposal of businesses	7	(75)
Depreciation and amortisation	2,169	2,152
Decrease (increase) in inventories	33	65
(Increase) decrease in programme rights	(4)	(85)
(Increase) decrease in trade and other receivables	(158)	(108)
(Increase) decrease in contract assets	(30)	(13)
(Decrease) increase in trade and other payables	(410)	(271)
(Decrease) increase in contract liabilities	(99)	(21)
(Decrease) increase in other liabilities ¹	(586)	(370)
(Decrease) increase in provisions	(17)	33
Cash generated from operations	2,412	2,788
Income taxes paid	(20)	(77)
Net cash inflow from operating activities	2,392	2,711
Cash flow from investing activities		
Interest received	—	6
Dividends received from associates and joint ventures	1	4
Acquisition of non-controlling interest in subsidiaries ²	(96)	—
Proceeds on disposal of subsidiaries, associates and joint ventures	32	166
Net outflow on non-current amounts owed by ultimate parent company	(151)	(2)
Proceeds on disposal of current financial assets ³	4,478	5,973
Purchases of current financial assets ³	(4,494)	(6,532)
Net (purchase) disposal of non-current asset investments ⁴	(1)	—
Proceeds on disposal of property, plant and equipment and intangible assets	—	1
Purchases of property, plant and equipment and intangible assets	(2,051)	(2,086)
Net cash outflow from investing activities	(2,282)	(2,470)
Cash flow from financing activities		
Interest paid	(396)	(409)
Repayment of borrowings ⁵	(1)	—
Payment of lease liabilities	(319)	(363)
Cash flows from derivatives related to net debt	26	(147)
Net cash outflow from financing activities	(690)	(919)
Net decrease in cash and cash equivalents	(580)	(678)
Opening cash and cash equivalents ⁶	893	1,405
Net decrease in cash and cash equivalents	(580)	(678)
Effect of exchange rate changes	3	(3)
Closing cash and cash equivalents⁶	316	724

¹ Includes pension deficit payments of £600m for the half year to 30 September 2021 (H1 FY21: £425m).

² Relates to the acquisition of the remaining 30% of the share capital of BT OnePhone Limited. As part of the accounting for the acquisition, we revisited our original assessment of control under IFRS 10 and concluded that it should have been classified as a subsidiary instead of a joint venture. The current period accounting reflects this assessment.

³ Primarily consists of investment in and redemption of amounts held in liquidity funds.

⁴ Relates to (purchase) disposal of fair value through equity investment.

⁵ Repayment of borrowings includes the impact of hedging.

⁶ Net of bank overdrafts of £73m (H1 FY21: £116m).

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

These condensed consolidated financial statements (the "financial statements") comprise the financial results of British Telecommunications Plc for the half years to 30 September 2021 and 2020 together with the balance sheet at 31 March 2021. The financial statements for the half year to 30 September 2021 have been reviewed by the auditors and their review opinion is on page 20. The financial statements have been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook (DTR) of the Financial Conduct Authority and with UK-adopted IAS 34 'Interim Financial Reporting'. The financial statements should be read in conjunction with the Annual Report 2021 which was prepared in accordance with UK-adopted International Financial Reporting Standards (IFRS).

The directors are satisfied that the Group has adequate resources to continue in operation for a period of at least twelve months from the date of this report. Consequently, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements for the half year to 30 September 2021. When reaching this conclusion, the directors took into account:

- The Group's overall financial position (including trading during the year and ability to repay term debt as it matures without recourse to refinancing);
- Exposure to principal risks (including severe but plausible downsides); and
- The ongoing impact of Covid-19 (which has affected trading but has not had a significant impact on the Group's ability to generate cash).

At 30 September 2021, the Group had cash and cash equivalents of £0.4bn and current asset investments of £3.7bn. The Group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at period-end and are not subject to renewal until March 2026.

Other than income taxes which are accrued using the tax rate that is expected to be applicable for the full financial year, the financial statements have been prepared in accordance with the accounting policies as set out in the financial statements for the year to 31 March 2021 and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

The information for the year ended 31 March 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

New and amended accounting standards effective during the year

No new or amended accounting standards that became effective during the year have had a significant impact on the Group.

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

The assessment of the impact of the amendment to IAS 37 as issued by the IASB in May 2020 is in progress. We do not expect any other standards or interpretations that have been issued but are not yet effective to have a significant impact on the Group.

2. Operating results – by customer facing unit

	External revenue	Internal revenue	Group revenue	Adjusted EBITDA ¹	Operating profit
Half year to 30 September 2021	£m	£m	£m	£m	£m
Consumer	4,816	41	4,857	1,077	376
Enterprise	2,519	53	2,572	852	496
Global	1,654	—	1,654	207	22
Openreach	1,305	1,402	2,707	1,561	669
Other	14	—	14	53	16
Intra-group items	—	(1,496)	(1,496)	—	—
Total adjusted²	10,308	—	10,308	3,750	1,579
Specific items (note 5)			(3)		(141)
Total			10,305		1,438
Half year to 30 September 2020					
Consumer	4,824	49	4,873	1,075	440
Enterprise	2,649	61	2,710	833	466
Global	1,916	—	1,916	289	94
Openreach	1,206	1,379	2,585	1,453	621
Other	12	—	12	73	(50)
Intra-group items	—	(1,489)	(1,489)	—	—
Total adjusted²	10,607	—	10,607	3,723	1,571
Specific items (note 5)			(17)		(115)
Total			10,590		1,456

¹ For the reconciliation of adjusted EBITDA, see Additional Information on page 21.

² See Glossary on page 1.

3. Operating results - by type of revenue

Half year to 30 September 2021	Consumer	Enterprise	Global	Openreach	Other	Total
	£m	£m	£m	£m	£m	£m
ICT and managed networks	—	880	860	—	—	1,740
Fixed access subscription revenue	1,990	823	135	1,270	—	4,218
Mobile subscription revenue	1,647	633	37	—	1	2,318
Equipment and other services	1,179	183	622	35	13	2,032
Total adjusted¹ revenue	4,816	2,519	1,654	1,305	14	10,308
Specific items (note 5)						(3)
Total revenue						10,305
Half year to 30 September 2020						
ICT and managed networks	—	1,029	1,040	—	—	2,069
Fixed access subscription revenue	2,075	900	173	1,187	—	4,335
Mobile subscription revenue	1,790	577	43	—	—	2,410
Equipment and other services	959	143	660	19	12	1,793
Total adjusted¹ revenue	4,824	2,649	1,916	1,206	12	10,607
Specific items (note 5)						(17)
Total revenue						10,590

¹ See Glossary on page 1.

4. Operating costs

	Half year to 30 September	
	2021	2020
	£m	£m
Direct labour costs	2,457	2,566
Indirect labour costs	515	509
Leaver costs	7	5
Total labour costs	2,979	3,080
Capitalised labour	(831)	(797)
Net labour costs	2,148	2,283
Product costs and sales commissions	1,853	1,977
Payments to telecommunications operators	654	793
Property and energy costs	513	505
Network operating and IT costs	450	453
Programme rights charges	452	335
Other operating costs	488	538
Operating costs before depreciation, amortisation and specific items	6,558	6,884
Depreciation and amortisation	2,169	2,152
Total operating costs before specific items	8,727	9,036
Specific items (note 5)	138	98
Total operating costs	8,865	9,134

5. Specific items

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

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

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as frequency or predictability of occurrence. 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 acquisitions/disposals of businesses and investments, retrospective regulatory matters, historical insurance or litigation claims, business restructuring programmes, asset impairment charges, property rationalisation programmes, net interest on pensions and the settlement of out of period tax matters. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items.

	Half year to 30 September	
	2021	2020
	£m	£m
Specific revenue		
Retrospective regulatory matters	3	17
Specific revenue	3	17
Specific operating costs		
Restructuring charges	135	155
Divestment-related items	5	(66)
Property rationalisation costs	—	8
Retrospective regulatory matters	—	1
Covid-19	(2)	—
Specific operating costs	138	98
Specific operating loss	141	115
Interest expense on retirement benefit obligation	47	9
Net specific items charge before tax	188	124
Tax charge (credit) on specific items	395	(30)
Net specific items charge after tax	583	94

Retrospective regulatory matters

We recognised a charge of £3m (H1 FY21: £18m) in relation to regulatory matters. The charge is recognised in revenue in the current year due to the nature of the regulatory items.

Restructuring charges

We incurred charges of £135m (H1 FY21: £155m), primarily relating to leaver and consultancy costs. These costs reflect projects within our Group-wide modernisation programme, which will deliver annualised gross benefits of £1bn by March 2023 and £2bn by FY24, with further savings in FY25, at an expected cost of £1.3bn. £571m costs have been incurred to date.

Divestment-related items

We recognised a charge of £5m (H1 FY21: credit of £66m). This primarily relates to the £8m loss on disposal of our business in Italy and true-up charges on previous transactions. In H1 FY21, we recognised a net credit of £66m in relation to the £81m gain on disposal of our Spanish operations, offset by £6m impairment charges in respect of the disposal of selected operations and infrastructure in 16 countries in Latin America and £9m of divestment-related costs.

Property rationalisation costs

In H1 FY21, we recognised costs of £8m relating to rationalisation of our property portfolio under our Better Workplace programme. In FY22, property rationalisation costs have been classified as restructuring charges where they fall under the previously announced transformation programme.

Covid-19

In FY20, we recognised one-off charges of £95m relating to the impact of Covid-19 on various balance sheet items. At 31 March 2021, we retained £55m of these provisions. In H1 FY22, we utilised £10m and released £2m of this provision. At 30 September 2021, we retain a provision of £43m.

Interest expense on retirement benefit obligation

We incurred charges of £47m (H1 FY21: £9m) of interest costs in relation to our defined benefit pension obligations.

Tax on specific items

A net tax charge of £395m (H1 FY21: credit of £30m) was recognised in relation to specific items. As at 30 September 2021, we have remeasured our deferred tax balances following the enactment of the new UK corporation tax rate of 25% from April 2023. The corresponding adjustment comprises a one-off tax charge of £439m in the income statement and a non-recurring tax credit of £298m in the statement of comprehensive income. As a result, the effective tax rate on reported profit increased to 57.3% (H1 FY21: 19.4%).

6. Pensions

	30 September 2021	31 March 2021
	£bn	£bn
IAS 19 liabilities – BTPS	(60.1)	(57.7)
Assets – BTPS	55.4	53.2
Other schemes	(0.6)	(0.6)
Total IAS 19 deficit, gross of tax	(5.3)	(5.1)
Total IAS 19 deficit, net of tax	(4.3)	(4.2)
Discount rate (nominal)	2.00 %	2.05 %
Discount rate (real) ¹	(1.40)%	(1.11)%
Future inflation – average increase in RPI (p.a.)	3.45 %	3.20 %
Future inflation – average increase in CPI (p.a.)	3.04 %	2.75 %

¹ The real rate is calculated relative to RPI inflation.

The gross IAS 19 deficit has increased from £5.1bn at 31 March 2021 to £5.3bn at 30 September 2021. Net of deferred tax, the deficit has increased from £4.2bn at 31 March 2021 to £4.3bn at 30 September 2021.

The increase in the gross deficit of £0.2bn since 31 March 2021 mainly reflects a 29bps fall in the real discount rate, partially offset by positive asset returns and deficit contributions over the period.

7. Financial instruments and risk management

Fair value of financial assets and liabilities measured at amortised cost

At 30 September 2021, the fair value of listed bonds was £18,661m (31 March 2021: £18,554m) and the carrying value was £16,150m (31 March 2021: £15,993m).

The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Cash and cash equivalents
- Lease liabilities
- Trade and other receivables
- Trade and other payables
- Provisions
- Investments held at amortised cost
- Other short term borrowings
- Contract assets
- Contract liabilities

The Group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk); credit risk; and liquidity risk. There have been no changes to the risk management policies which cover these risks since 31 March 2021.

The current trade and other payables balance of £5,902m includes £163m (30 September 2020: £106m) of trade payables that have been factored by suppliers in a supply chain financing programme. These programmes are used with a limited number of suppliers with short payment terms to extend them to a more typical payment term.

Fair value estimation

Fair values of financial instruments are analysed by three levels of valuation methodology which are:

1. Level 1 – uses quoted prices in active markets for identical assets or liabilities
2. Level 2 – uses inputs for the asset or liability other than quoted prices, that are observable either directly or indirectly
3. 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 2 balances are the fair values of the Group's outstanding derivative financial assets and liabilities which were estimated using discounted cash flow models and market rates of interest and foreign exchange at the balance sheet date.

Level 3 balances consist of investments classified as fair value through other comprehensive income which represent investments in a number of private companies. In the absence of specific market data, these investments are held at cost, adjusted as necessary for impairments, which approximates to fair value.

	Level 1	Level 2	Level 3	Total held at fair value
30 September 2021	£m	£m	£m	£m
Investments				
Fair value through other comprehensive income	—	—	27	27
Fair value through profit and loss	12	—	—	12
Derivative assets				
Designated in a hedge	—	1,198	—	1,198
Fair value through profit and loss	—	225	—	225
Total assets	12	1,423	27	1,462
Derivative liabilities				
Designated in a hedge	—	760	—	760
Fair value through profit and loss	—	190	—	190
Total liabilities	—	950	—	950

	Level 1	Level 2	Level 3	Total held at fair value
31 March 2021	£m	£m	£m	£m
Investments				
Fair value through other comprehensive income	—	—	20	20
Fair value through profit and loss	11	—	—	11
Derivative assets				
Designated in a hedge	—	1,006	—	1,006
Fair value through profit and loss	—	229	—	229
Total assets	11	1,235	20	1,266
Derivative liabilities				
Designated in a hedge	—	1,081	—	1,081
Fair value through profit and loss	—	202	—	202
Total liabilities	—	1,283	—	1,283

No gains or losses have been recognised in the income statement in respect of Level 3 assets held at 30 September 2021. There were no changes to the valuation methods or transfers between levels 1, 2 and 3 during the half year.

Interest rate benchmark reform

The replacement of Interbank Offered Rates (IBORs) with Alternative Reference Rates (ARAs) will begin from December 2021. Where floating interest bearing receivables and payables exist (currently based on IBORs) the Group will apply suitable replacement benchmark rates and account for the instruments in accordance with the amendments to IFRS 9 Financial Instruments published in 2019 (Phase 1) and 2020 (Phase 2). The adoption of these amendments and the transition to ARAs are expected to have an immaterial financial impact. The implications on the trading results of our segments of IBOR reform have also been assessed and the expected impact is immaterial. The Group is preparing to move to the new benchmark rates in accordance with timelines as per regulatory guidelines.

8. Financial commitments

Capital expenditure for property, plant and equipment and software contracted for at the balance sheet date but not yet incurred was £1,315m (31 March 2021: £1,370m). Programme rights commitments, mainly relating to football broadcast rights for which the licence period has not yet started, were £1,363m (31 March 2021: £1,691m).

9. Contingent liabilities

Legal proceedings

The Group is involved in various proceedings, including actual or threatened litigation, and government or regulatory investigations. However, save as disclosed below, the Group does not currently believe that there are any legal proceedings, or 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 below, the nature and progression of such proceedings and investigations make it difficult to make a reliable estimate of the potential outflow of funds that might be required to settle the claims where there is a more than remote possibility of there being an outflow. 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

In January, law firm Mishcon de Reya applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages they estimated at £608m (inclusive of compound interest) or £589m (inclusive of simple interest) on behalf of our landline-only customers alleging anti-competitive behaviour through excessive pricing by BT to customers with certain residential landline services. Ofcom considered this topic more than three years ago. At that time, Ofcom's final statement made no finding of excessive pricing or breach of competition law more generally. The claim seeks to hold against us the fact that we implemented a voluntary commitment to reduce prices for customers that have a BT landline only and not to increase those prices beyond inflation (CPI). 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.

In September 2021 the Competition Appeal Tribunal certified the claim to proceed to a substantive trial on an opt out basis (class members are automatically included in the claim unless they choose to opt out). We are seeking to appeal that decision. The substantive trial will not conclude during FY22. BT intends to defend itself vigorously.

Italian business

Milan Public Prosecutor prosecutions: In February 2019 the Milan Public Prosecutor served BT Italia S.P.A. (BT Italia) with a notice (which named BT Italia, as well as various individuals) to record the Prosecutor's view that there is a basis for proceeding with its case 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 disputes this and maintains in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. However, following a series of committal hearings in Autumn 2020, on 10 November 2020, the Italian court agreed (as is the normal process unless there are limitation or other fundamental issues with the claim) that BT Italia, and all but one of the individuals, should be committed to a full trial. The trial commenced on 26 January 2021 and is expected to last at least two years. On 23 April 2021, the Italian court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims are directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties have now applied to join BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing. If successful, the quantum of those claims is not anticipated to be material.

Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators and in April 2019 we submitted our defence to this claim. The parties are now working through the procedural steps in the litigation. We continue to dispute these allegations vigorously.

Regulatory matters

In the ordinary course of business, we are periodically notified of regulatory and compliance matters and investigations. We provide for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. Provisions reflect management's estimates of regulatory and compliance risks across a range of issues, including price and service issues.

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.

10. Principal risks and uncertainties

We have processes for identifying, evaluating and managing our risks. Details of our principal risks and uncertainties can be found on pages 57 to 66 of the Annual Report 2021 and are summarised below. These have not materially changed since then. They have the potential to have an adverse impact on our profit, assets, liquidity, capital resources and reputation.

Strategic

Strategy, technology and competition - We could fail to properly respond to an uncertain economic outlook, intensifying competition, rapid technology development, or fail to develop products and services that match changing market dynamics or customer expectations.

Stakeholder management - We might fail to properly manage our stakeholders, which may affect our significant risks, for instance those around buying, using, selling or developing new or emerging technologies responsibly.

Financing

Financing - We could find ourselves not able to fund our business or pension schemes, or to refinance debt.

Financial control - One or more of our financial controls could fail to prevent fraud (including misappropriation of assets) or inaccurate reporting, resulting in financial losses or causing us to misrepresent our financial position.

Compliance

Legal compliance - We could fail to comply with legal requirements that apply to our business, including law relating to anti-bribery and corruption, competition, trade sanctions and corporate governance obligations.

Data regulation - We could fail to follow data regulations, or not anticipate and adequately prepare for future ones.

Regulation - We could face an adverse regulatory environment to execute our strategy. Or we could fail to stick to the guidance and regulation set by our telecommunications and financial services regulators (Ofcom and the FCA, respectively).

Operational

Service interruption - Our customers could face disruption to the services we provide if we failed to fix vulnerabilities in our networks or IT infrastructure, or didn't make them resilient enough.

Cyber security - We might fail to protect ourselves, or our customers, from harm caused by intended or unintended cyber security events.

Transformation delivery - We could fail to effectively implement the changes needed to radically simplify our processes and products, and modernise our technology.

People - Our organisational structure, or the diversity, skills, engagement and culture of our workforce, could fall short of what is needed to deliver for customers in the short or longer term.

Health, safety and wellbeing - We could fail in our duty of care to make sure our colleagues are safe, healthy and fulfilled in a culture where they feel they can be and perform their best.

Major contracts - We could fail to sign or retain high-value national or multinational customer contracts because we weren't able to deliver the critical services agreed. Or we might end up entering into contracts with unfavourable commercial or legal terms.

Customer service - We might fail to give our customers the good-value, outstanding service they expect, making it harder for us to build personal and enduring relationships with them.

Supply management - We might fail to select the right suppliers and partners, or there might be failures in how we manage the relationships with the third parties we rely on.

11. Related party transactions

British Telecommunications plc and certain of its subsidiaries act as a funder and deposit taker for cash-related transactions for both its parent (BT Group Investments Ltd) and ultimate parent company (BT Group plc). The loan arrangements described below with these companies reflect this. Cash transactions normally 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 and the exercise of share options. Transactions between the ultimate parent company, the 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.

In FY02 the group demerged its former mobile phone business and as a result BT Group plc became the listed ultimate parent company of the group. The demerger steps resulted in the formation of an intermediary holding company, BT Group Investments Ltd, between BT Group plc and British Telecommunications plc. This intermediary company held an investment of £18.5bn in British Telecommunications plc which was funded by an intercompany loan facility with British Telecommunications plc.

A dividend of £2,000m was declared and settled with the parent company in the previous year.

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 shown below:

	Asset (liability)		Finance income (expense)	
	30 September 2021	31 March 2021	30 September 2021	30 September 2020
	£m	£m	£m	£m
Amounts owed by (to) parent company				
Loan facility – non-current asset investments	11,054	10,992	63	97
Amounts owed by (to) ultimate parent company				
Non-current asset investments	—	—	—	5
Non-current liabilities loans	(827)	(971)	(2)	—
Trade and other receivables	20	20	n/a	n/a
Trade and other payables	—	(10)	n/a	n/a
Current liabilities loans	—	1	n/a	(5)

RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with UK-adopted IAS 34 'Interim Financial Reporting';
- the interim management report includes a fair review of the information required by DTR 4.2.7R (the indication of important events and their impact during the first six months and description of principal risks and uncertainties for the remaining six month of the year); and
- the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Simon Lowth

Director

11 November 2021

INDEPENDENT REVIEW REPORT TO BRITISH TELECOMMUNICATIONS PLC

Conclusion

We have been engaged by the company to review the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2021 which comprises Group Income Statement, Group Statement of Comprehensive Income, Group Balance Sheet, Group Statement of Changes in Equity, Group Cash Flow Statement, and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the six months ended 30 September 2021 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules (“the DTR”) of the UK’s Financial Conduct Authority (“the UK FCA”).

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors’ responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the latest annual financial statements of the Group were prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the next annual financial statements will be prepared in accordance with UK-adopted international accounting standards. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

John Luke

for and on behalf of KPMG LLP

Chartered Accountants

15 Canada Square, London, E14 5GL

11 November 2021

Additional Information

Notes

Our commentary focuses on the trading results on an adjusted basis, which is a non-GAAP measure, 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 is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of the trading results of the Group. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Reported revenue, reported operating profit, reported profit before tax and reported net finance expense are the equivalent unadjusted or statutory measures. Reconciliations of reported to adjusted revenue, operating costs, operating profit and profit before tax are set out in the Group income statement. Reconciliations of adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) from the nearest measures prepared in accordance with IFRS are provided in this Additional Information.

Reconciliation of earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation (EBITDA) is not a measure defined under IFRS, but is a key indicator used by management to assess operational performance. We consider EBITDA and adjusted EBITDA to be useful measures of our operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation. A reconciliation of reported profit for the period to EBITDA and adjusted EBITDA is provided below.

	Half year to 30 September	
	2021	2020
	£m	£m
Reported profit for the period	494	936
Tax	578	225
Reported profit before tax	1,072	1,161
Net interest related finance expense	321	287
Depreciation and amortisation	2,169	2,152
EBITDA	3,562	3,600
EBITDA specific items	141	115
Net other finance expense	47	9
Share of post tax (profits) losses of associates and joint ventures	—	(1)
Adjusted¹ EBITDA	3,750	3,723

¹ See Glossary on page 1.

Cautionary statement regarding forward-looking statements

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and BT's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to BT on the date of this announcement. 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), BT 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 announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.