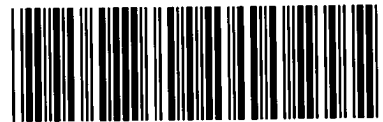


Registered Number: 2216369

BT Limited

**Strategic Report, Directors' Report
and Financial Statements
for the year ended
31 March 2015**

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BT Limited

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Directors and advisers

Directors

CB Ryan
A Buffa
N Brenchley

Company Secretary

CB Ryan

Registered Office

81 Newgate Street
London
EC1A 7AJ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
141 Bothwell Street
Glasgow
G2 7EQ

Strategic report for the year ended 31 March 2015

The directors present their strategic report for BT Limited for the year ended 31 March 2015.

Review of business

Turnover decreased by 3%, from £251,362,000 in 2014 to £243,510,000 in 2015. Gross profit decreased by 12%, from £36,597,000 in 2014 to £32,027,000 in 2015, and the gross profit margin decreased from 15% in 2014 to 13% in 2015 due to changes in internal and external cost mix.

Fixed assets decreased by 10% £16,606,000 in 2014 to £14,956,000 in 2015 due to the impact of foreign exchange movement and disposals. Current assets increased by 1% from £534,256,000 in 2014 to £539,682,000 in 2015. Creditors decreased by 6% from £254,078,000 in 2014 to £238,843,000 in 2015. Net assets, excluding the pension deficit, increased by 6% from £296,784,000 in 2014 to £315,795,000 in 2015. The pension deficit increased by 14% from £2,093,000 in 2014 to £2,380,000 in 2015.

Principal risks and uncertainties

The principal risks to which BT Group plc (the ultimate controlling entity of the Company) is exposed are also the principal matters which would create risk and uncertainty for the Company. These are managed by the directors of BT Group plc at group level rather than at an individual business unit level. They are discussed on pages 41-52 of the group's 2015 annual report which does not form part of this report.

Financial risk management**Price risk**

The Company is not exposed to commodity price risk as a result of its operations.

Credit risk

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

Strategic report for the year ended 31 March 2015**Interest rate cash flow risk**

The company has both interest-bearing assets and interest-bearing liabilities. Interest-bearing assets include only government securities and cash balances, all of which earn interest at fixed rates. The company has a policy of maintaining debt at fixed rate to ensure certainty of future interest cash flows. The directors will revisit the appropriateness of this policy should the company's operations change in size or nature.

Key performance indicators ("KPIs")

The directors of BT Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

By order of the Board,

A handwritten signature in black ink, appearing to read 'CRy', followed by a long horizontal stroke.

Christina Ryan

Company Secretary
16 December 2015

Directors' report for the year ended 31 March 2015

The directors submit their report and the audited financial statements of BT Limited (the "Company") for the year ended 31 March 2015. The registered number of the Company is 2216369.

Principal activities and future developments

The Company's principal activity is the provision of services to British Telecommunications plc and its subsidiary companies, and the sale of the BT group's products and services in overseas markets through overseas branches and representative offices. The directors do not anticipate any change in the foreseeable future.

The Company is incorporated in the UK, but it has branches overseas. Its main branches are in Belgium, Hungary, the Czech Republic, South Africa and Taiwan. There is limited activity in the Chinese branch. The Company also owns 70% of BT Communications Services South Africa (Proprietary) Limited.

Employees

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

The Company is committed to providing equal opportunities, which include promoting training and career development for all employees. Full and fair consideration for all vacancies and opportunities will be given to men and women, people with disabilities and those from ethnic minorities, regardless of marital status, age, religion or sexual orientation. If members of staff become disabled the group continues employment wherever possible and arranges retraining. The policy is supported by a Code of Practice on harassment which recognises that all employees have the right to be treated with dignity and respect.

More details of these policies are set out in the BT Group plc Annual Report for the year ended 31 March 2015.

Risk management

Details of financial risk management are discussed on pages 2 to 3 of the Strategic Report.

Results and dividends

The profit on ordinary activities before taxation was £7,590,000 (2014: £13,136,000). The tax charge on ordinary activities was £1,652,000 (2014: £3,047,000) which left a profit for the financial year of £5,938,000 (2014: £10,089,000).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2015 (2014: £nil).

Directors' report for the year ended 31 March 2015**Directors**

A list of the current directors is set out on page 1. PN Allenby served as a director until he resigned on 18 May 2015. A Buffa was appointed as a director to the board on 18 May 2015 and N Brenchley was appointed to the board on 3 August 2015. CB Ryan held office as a Director throughout the year and up to the date of signing of this report.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Payment of creditors

The company agrees the terms and conditions under which business transactions with its suppliers are conducted. It is company policy that payments to suppliers are made in accordance with these terms. At the year end the creditor's days was 42 days (2014: 24 days).

Directors' report for the year ended 31 March 2015

Post balance sheet events

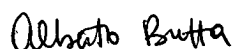
Details of the post balance sheet events are contained in Note 21 of the notes to the financial statements.

Disclosure of information to the auditors

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes 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 Company's auditors have been made aware of that information.

The directors' report on pages 4 to 6 were approved by the Board of directors on 2015 and were signed on its behalf by Alberto Buffa.

By order of the Board,



Director
16 December 2015

Independent auditors' report to the members of BT Limited

Report on the financial statements

Our opinion

In our opinion, BT Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements comprise:

- the balance sheet as at 31 March 2015;
- the profit and loss account for the year then ended;
- the statement of total recognised gains and losses for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

Independent auditors' report to the members of BT Limited (continued)

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit**Our responsibilities and those of the directors**

As explained more fully in the Statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions.

Independent auditors' report to the members of BT Limited (continued)

What an audit of financial statements involves (continued)

We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Strategic Report, Directors' Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Sharron Moran (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow
17 December 2015

Profit and loss account for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Turnover	1	243,510	251,362
Cost of sales		<u>(211,483)</u>	<u>(214,765)</u>
Gross profit		32,027	36,597
Operating costs		<u>(27,263)</u>	<u>(28,640)</u>
Operating profit	2	4,764	7,957
Income from shares in group undertakings	3	-	1,845
Interest receivable and similar income	4	7,928	8,719
Interest payable and similar charges	5	<u>(5,102)</u>	<u>(5,385)</u>
Profit on ordinary activities before taxation		7,590	13,136
Tax charge on profit on ordinary activities	8	<u>(1,652)</u>	<u>(3,047)</u>
Profit for the financial year	17	<u><u>5,938</u></u>	<u><u>10,089</u></u>

All results derive from continuing operations.

There were no material differences between the results as disclosed above and the results on an unmodified historical cost basis.

Statement of total recognised gains and losses for the year ended 31 March 2015

	Note	2015 £'000	2014 £'000
Profit for the financial year	17	5,938	10,089
Actuarial (loss)/gain on pension scheme	17	(729)	639
Movement on deferred tax relating to pension deficit	17	199	(144)
Currency translation differences on foreign currency net investments	17	<u>13,152</u>	<u>6,084</u>
Total recognised gains and losses for the financial year		<u>18,560</u>	<u>16,668</u>

Balance sheet as at 31 March 2015

	Note	2015 £'000	2014 £'000
Fixed assets			
Tangible assets	9	9,952	11,473
Investments	10	<u>5,004</u>	<u>5,133</u>
		<u>14,956</u>	<u>16,606</u>
Current assets			
Stocks	11	281	647
Debtors	12	537,677	532,537
Cash at bank and in hand	14	<u>1,724</u>	<u>1,072</u>
		539,682	534,256
Creditors: amounts falling due within one year	15	<u>(238,843)</u>	<u>(254,078)</u>
Net current assets		<u>300,839</u>	<u>280,178</u>
Net assets excluding pension deficit		315,795	296,784
Pension deficit	19	<u>(2,380)</u>	<u>(2,093)</u>
Net assets including pension deficit		<u>313,415</u>	<u>294,691</u>
Capital and reserves			
Called up share capital	16	453,719	453,719
Share premium	17	55,350	55,350
Profit and loss account	17	<u>(195,654)</u>	<u>(214,378)</u>
Total shareholders' funds	18	<u>313,415</u>	<u>294,691</u>

The financial statements on pages 10 to 27 were approved by and authorised for issue by the Board of directors on 16 December 2015 and were signed on its behalf by Alberto Buffa.

Alberto Buffa

Alberto Buffa
Director

Accounting policies

Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been consistently applied are set out below.

The financial statements present information about the Company as an individual undertaking, and not about its group. The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare and deliver group financial statements as the financial statements of BT Limited are consolidated in the financial statements of BT Group plc, the ultimate parent entity.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditure during the reporting period. Actual results could differ from those estimates. Estimates are used principally when accounting for depreciation, provisions for doubtful debts and taxes.

Turnover

Turnover represents the fair value of the consideration received or receivable for services provided, net of discounts and sales taxes.

Turnover arising from separable installation and connection activities is recognised when it is earned, upon activation. Turnover from the rental of analogue and digital lines and private circuits is recognised evenly over the period to which the charges relate. Turnover from calls is recognised at the time the call is made over the group's networks.

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet access or voice services, are recognised as turnover over the associated subscription period. Turnover arising from the interconnection of voice and data traffic between other telecommunications operators is recognised at the time of transit across the group's network. Sales of peripheral and other equipment are recognised when all of the significant risks and rewards of ownership are transferred to the buyer, which is normally the date the equipment is delivered and accepted by the customer.

Income from fixed asset investments

Income from fixed asset investments represents dividend income from group companies.

Accounting policies (continued)

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains and losses are dealt with through the profit and loss account.

Exchange differences arising from the re-translation at year end exchange rates of the net investment in foreign branches, less exchange differences on borrowings which finance or provide a hedge against those undertakings, are taken to reserves and are reported in the statement of total recognised gains and losses.

On consolidation of overseas branches, the assets and liabilities of each branch are translated into sterling at the exchange rate ruling at the balance sheet date. The results of each branch are translated into sterling at the average exchange rate for the year. Exchange gains and losses are taken to reserves and reported in the statement of total recognised gains and losses.

Share based payments

The ultimate parent undertaking, BT Group plc, has a number of employee share schemes and share option plans, as detailed in note 21 in the BT Group plc consolidated financial statements under which it makes equity settled share based payments to certain employees of the Company. Equity settled share based payments are measured at fair value at the date of grant after taking into account the Company's best estimate of the number of awards expected to vest. For share based payments to employees of the Company, the fair value determined at the date of grant is expensed on a straight line basis together with a corresponding increase in equity over the vesting period.

At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

Fair value is measured using either the Binomial or Monte Carlo model, whichever is the most appropriate to the award.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on tangible fixed assets on a straight line basis from the time they are available for use, so as to write off their costs over their estimated useful lives taking into account any expected residual values.

The lives assigned to significant tangible assets are:

Leasehold improvements	3-5 years
Plant and machinery	3-10 years

Accounting policies (continued)**Leased assets**

Leasing agreements that transfer to the Company substantially all the benefits and risks of ownership are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the related rental obligations is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. The equipment is depreciated over the shorter of the lease term and the estimated useful life of the asset.

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Investments

Investments are carried at cost less provision for impairment. Investments are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment.

Stocks

Stocks comprise items of equipment held for sale or rental and consumable items. They are stated at the lower of cost, including appropriate overheads, and estimated net realisable value, after provisions for obsolescence.

Trade debtors

Trade debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provision for doubtful receivables.

Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision may be made based on an analysis of balances by age, previous losses experienced and general economic conditions.

Pension schemes

The Company operates a number of defined contribution pension schemes and five defined benefit schemes in Belgium for former executives of Interbrew, all employees from Syntegra, and white collar employees who joined from Infonet Belgium, Infonet and Radianz Belgium. The assets of the schemes are held separately from those of the Company in independently administered funds. The defined benefit schemes are closed to new joiners. The pension cost disclosed in note 19 includes the contributions payable by the Company to the funds.

Accounting policies (continued)

Pension schemes (continued)

The company's obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service to date. That benefit is discounted to determine its present value using a rate of 4%. The calculation of the obligation is performed by a qualified actuary using the projected unit credit method. The net obligation or asset recognised in the balance sheet is the present value of the defined benefit obligation less the fair value of the plan assets. The pension cost is allocated between an operating charge and net finance expense. The operating charge reflects the increase in the defined benefit obligation resulting from the pension benefit earned by active employees in the period. The finance expense reflects the unwinding of the discount applied to the liabilities of the plan, offset by the expected return on the assets of the plan, based on conditions prevailing at the start of the year. Actuarial gains and losses are recognised in full in the period in which they occur in the statement of recognised gains and losses.

Taxation

The charge for taxation is based on the profit for the year and takes into account deferred tax.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

Cash flow statement and related party disclosures

The Company is a wholly-owned subsidiary of BT Group plc. The cash flows of the Company are included in the consolidated cash flow statement of BT Group plc, whose annual report is publicly available. Consequently, the Company is exempt under the terms of FRS1 "Cash Flow Statements" from publishing a cash flow statement.

The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the BT group plc.

Accounting policies (continued)**Accounting standards, interpretations and amendments not yet effective**

Following the publication of FRS 100 'Application of Financial Reporting Requirements' by the Financial Reporting Council, BT Limited is required to change its accounting framework for its entity financial statements, which is currently UK GAAP, for its financial year commencing 1 April 2015. The purpose of FRS 100 is to align reporting in the UK with IFRS. As a qualifying subsidiary, the company will adopt FRS 101 'Reduced Disclosure Framework'.

Notes to the financial statements

1 Segmental analysis

There is only one class of business which is the supply of support and maintenance services for telecommunications networks.

Geographical analysis of turnover by location of customer:

	2015 £'000	2014 (Restated) £'000
UK	129,979	121,445
Continental Europe	107,800	125,247
Rest of world	<u>5,731</u>	<u>4,670</u>
	<u>243,510</u>	<u>251,362</u>

Geographical analysis of operating profit:

	2015 £'000	2014 £'000
UK	(2,737)	(1,372)
Continental Europe	7,359	9,269
Rest of world	<u>142</u>	<u>60</u>
	<u>4,764</u>	<u>7,957</u>

Geographical analysis of net assets:

	2015 £'000	2014 £'000
UK	411,108	402,567
Continental Europe	(87,547)	(97,954)
Rest of world	<u>(10,146)</u>	<u>(9,922)</u>
	<u>313,415</u>	<u>294,691</u>

Notes to the financial statements (continued)**2 Operating (loss)/profit**

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Employee costs (note 7)	29,897	27,602
Auditors' remuneration – fee payable for the statutory audit of the company	65	89
Rental costs relating to operating leases	1,355	1,373
Depreciation of tangible fixed assets	4,192	4,065
Net foreign exchange loss	<u>789</u>	<u>453</u>

3 Income from shares in group undertakings

	2015 £'000	2014 £'000
Income from shares in subsidiary undertakings	<u>-</u>	<u>1,845</u>

4 Interest receivable and similar income

	2015 £'000	2014 £'000
Interest receivable from group undertakings	7,789	8,709
Other interest receivable	<u>139</u>	<u>10</u>
Total interest receivable and similar income	<u>7,928</u>	<u>8,719</u>

5 Interest payable and similar charges

	2015 £'000	2014 £'000
Interest payable to group undertakings	4,718	5,222
Other interest payable	<u>384</u>	<u>163</u>
Total interest payable and similar charges	<u>5,102</u>	<u>5,385</u>

6 Directors' emoluments

The directors are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT group as a whole. No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2015 (2014: £nil).

Notes to the financial statements (continued)

7 Employee information

The average monthly number of persons employed by the Company during the year was as follows:

	2015 Number	2014 Number
Selling and marketing	89	89
Administration	20	21
Operation	195	206
Other	38	35
	<u>342</u>	<u>351</u>

Employment costs of all employees included above:

	2015 £'000	2014 £'000
Wages and salaries	21,833	20,033
Social security costs	6,471	6,010
Pension costs (note 19)	1,429	1,423
Share based payments	164	136
	<u>29,897</u>	<u>27,602</u>

8 Tax on (loss)/profit on ordinary activities

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax charge at 21% (2014: 23%)	1,522	2,711
Non UK tax charge/(credit)	<u>403</u>	<u>(163)</u>
Total current tax	<u>1,925</u>	<u>2,548</u>
Deferred tax:		
Origination and reversal of timing differences	(151)	170
Movement in foreign exchange rates	4	-
Adjustments in respect of prior years	(126)	(53)
Effect of reduction in statutory tax rate on opening asset	<u>-</u>	<u>382</u>
Total deferred tax (note 13)	<u>(273)</u>	<u>499</u>
Tax charge profit on ordinary activities	<u>1,652</u>	<u>3,047</u>

Notes to the financial statements (continued)

8 Tax on profit on ordinary activities (continued)

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK (21%) and is reconciled to the standard rate of corporation tax in the UK as explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	<u>7,590</u>	<u>13,136</u>
Profit on ordinary activities multiplied by standard rate of corporation tax at 21% (2014: 23%)	1,594	3,021
Effects of:		
Depreciation in excess of capital allowances	(181)	(261)
Other timing differences	(22)	65
Expenses not deductible for tax purposes	216	(114)
Adjustments in respect of non UK taxation	<u>318</u>	<u>(163)</u>
Current tax charge	<u>1,925</u>	<u>2,548</u>

No deferred tax has been recognised on the share based payment charge under FRS 20 "Share Based Payment" as all tax deductions arising from the exercise of share options in the UK group of BT will be included in the tax return of BT plc by agreement with HM Revenue and Customs.

The Company expects capital allowances to exceed the depreciation charge in future years.

The deferred tax is measured using the substantively enacted tax rate as at the balance sheet date of 20%, which was enacted on 2 July 2013. Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. As the changes had not been substantively enacted at the balance sheet date their effects are not included in these financial statements. When the changes are substantially enacted the impact is expected to be immaterial.

Notes to the financial statements (continued)

9 Tangible fixed assets

	Leasehold improvements £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 April 2014	6,529	85,382	91,911
Additions	359	3,712	4,071
Disposals	-	(2,883)	(2,883)
Exchange differences	(834)	(9,257)	(10,091)
At 31 March 2015	6,054	76,954	83,008
Accumulated depreciation			
At 1 April 2014	(4,995)	(75,443)	(80,438)
Charged in the year	(91)	(4,101)	(4,192)
Disposals	-	2,765	2,765
Exchange differences	624	8,185	8,809
At 31 March 2015	(4,462)	(68,594)	(73,056)
Net book value as at 31 March 2015	1,592	8,360	9,952
Net book value as at 31 March 2014	1,534	9,939	11,473

10 Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 April 2014	5,133
Exchange differences	(129)
At 31 March 2015	5,004
Net book value at 31 March 2015	5,004
Net book value at 31 March 2014	5,133

In the opinion of the directors, the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements (continued)

11 Stocks

	2015 £'000	2014 £'000
Raw materials and consumables	281	647

12 Debtors

	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade debtors	19,442	19,598
Amounts owed by group undertakings	494,991	485,699
Other debtors	15,548	18,535
Taxation and social security	253	1,014
Deferred tax asset (note 13)	2,237	1,993
Prepayments and accrued income	5,206	5,698
Total debtors falling due within one year	537,677	532,537

Included in amounts owed by group undertakings is a loan to British Telecommunications plc of £494,991,000 (2014: £485,699,000). The loan is interest bearing (closing three month sterling LIBOR rate plus 42.5 basis points), unsecured and repayable within 12 months.

13 Deferred tax asset

	2015 £'000	2014 £'000
Balance at 1 April	1,993	2,469
Current year movement	122	(200)
Prior year adjustment	126	53
Movement in foreign exchange rates	(4)	-
Effect of reduction in statutory tax rate on opening asset	-	(329)
Balance at 31 March	2,237	1,993

Under FRS 19, deferred taxation is provided for in full on certain timing differences. The Company does not discount the provision. The deferred tax asset was mainly the result of the tax effect of timing differences as follows:

	2015 £'000	2014 £'000
Excess capital allowances	2,144	1,862
Other timing differences	93	131
Deferred tax excluding that relating to the pension liability	2,237	1,993
Pension asset (note 19)	751	523
Total provision for deferred tax	2,988	2,516

Deferred tax relating to the defined benefit pension scheme is recognised net of the pension deficit and is therefore not recognised as a separate deferred tax asset.

Notes to the financial statements (continued)

14 Cash at bank and in hand

The Company, certain fellow subsidiaries and parent companies participate in a cash pooling arrangement and have jointly and severally guaranteed amounts owing to the Company's bankers by any participating company. The liability of the Company is limited to the amounts standing to the credit of the Company's financial statements with the bank.

15 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	25,413	23,840
Bank loans and overdrafts	277	102
Amounts owed to group undertakings	200,566	214,912
Corporation tax payable	1,522	2,711
Other creditors	971	1,302
Taxation and social security	1,559	794
Accruals and deferred income	8,535	10,417
Total creditors falling due within one year	238,843	254,078

Included in amounts owed to group undertakings is a loan from British Telecommunications plc of £200,566,000 (2014: £214,915,000). The loan is interest bearing (closing three month sterling LIBOR rate plus 102.5 basis points), unsecured and repayable within 12 months.

16 Called up share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid:		
343,719,437 (2014: 343,719,437) ordinary shares of £1 (2014: £1) each	343,719	343,719
Allotted, called up and partly paid:		
500,000,000 (2014: 500,000,000) ordinary shares of £1 (2014: £1) each		
Partly paid at 22p (2014: 22p) per share	110,000	110,000
	453,719	453,719

17 Reserves

	Share premium £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2014	55,350	(214,378)	(159,028)
Profit for the financial year	-	5,938	5,938
Actuarial movement on pension scheme	-	(729)	(729)
Deferred tax movement chargeable to reserves	-	199	199
Share based payments	-	164	164
Currency translation differences	-	13,152	13,152
Balance at 31 March 2015	55,350	(195,654)	(140,304)

Notes to the financial statements (continued)

18 Reconciliation of movements in shareholders' funds

	2015 £'000	2014 £'000
Profit for the financial year	5,938	10,089
Share premium issued	-	6,350
Currency translation differences	13,152	6,084
Actuarial movement on pension scheme	(729)	639
Deferred tax movement on pension scheme	199	(144)
Share based payments	164	136
Net addition to shareholders' funds	18,724	23,154
Opening shareholders' funds	294,691	271,537
Closing shareholders' funds	313,415	294,691

19 Pensions

Payments made by the Company to the defined contribution schemes are charged to the profit and loss account in the year in which they accrue. The pension charge for the year was £1,429,000 (2014: £1,423,000). Contributions totalling £nil (2014: £ nil) were payable at the year end. There is a legacy defined benefit pension arrangement in the Belgium branch applicable to 35 employees transferred into the Company who retained existing pension rights. The scheme is closed to new joiners. At 31 March 2015 the scheme had a defined benefit obligation of £4,600,000, assets of £1,469,000 and net deficit of £3,132,000. The Company has recognised a deferred tax asset of £751,000 (2014: £523,000) which leaves a net liability of £2,380,000 (2014: £2,093,000). The current service cost is £229,000 (2014: £256,000), interest cost £130,000 (2014: £135,000) and expected return on plan assets £55,000 (2014: £58,000).

20 Contingent liabilities

Other than as disclosed in note 14, at 31 March 2015 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Company's business and on these no material losses are anticipated.

21 Post balance sheet events

In May 2015, the company deregistered the Italian branch in order to simplify the group structure.

Notes to the financial statements (continued)

22 Capital and financial commitments

At 31 March 2015, contracts placed for capital expenditure not provided for in the financial statements amounted to £nil (2014: £nil). Operating lease payments payable within one year of the balance sheet date were in respect of non-cancellable leases expiring:

	2015 Land and Buildings £'000	2015 Other £'000	2014 Land and buildings £'000	2014 Other £'000
Within one year	-	900	-	336
Between one and five years	512	1,478	585	1,879
	<u>512</u>	<u>2,378</u>	<u>585</u>	<u>2,215</u>

23 Controlling entities

The Company is a wholly-owned subsidiary of BT Holdings Limited, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2015 was BT Group plc.

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in England & Wales. Consequently the Company is exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under BT Group control during the year ended 31 March 2015. Copies of the financial statements of BT Group plc may be obtained from The Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

The parent undertaking of the smallest group of companies into which the results of the Company are consolidated is British Telecommunications plc, a company incorporated in England & Wales. Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.

Notes to the financial statements (continued)

24 Related Undertakings

Company Name	Company Activity	Group Interest in allotted capital	Number and Class of Shares	Country
BT Communications Services South Africa (Pty) Limited	Communications related services, systems integration and products provider	70%	70,000 Ordinary Shares	South Africa
BT Limited, Belgium branch	Communications related services, systems integration and products provider	100%	Branch office	Belgium
BT Limited, Italy branch	Communications related services, systems integration and products provider	100%	Branch office	Italy
BT Limited, South Africa branch	Communications related services, systems integration and products provider	100%	Branch office	South Africa
BT Limited, Hungarian Branch Office	Communications related services, systems integration and products provider	100%	Branch office	Hungary
BT Limited, Taiwan Branch	Communications related services, systems integration and products provider	100%	Branch office	Taiwan
BT Limited, Beijing Office	Communications related services, systems integration and products provider	100%	Branch office	China
BT Limited, organizacni slozka	Communications related services, systems integration and products provider	100%	Branch office	Czech Republic