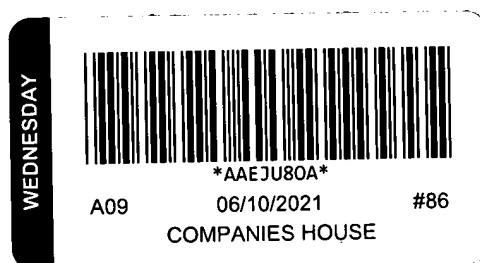


Company number: 2216369

BT Limited
Report and Financial Statements
for the year ended 31 March 2021



Chris Ryan

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BT Limited

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Strategic report

The directors present their strategic report for BT Limited ("the Company") for the year ended 31 March 2021.

Review of business

Revenue decreased by £2,781,000 to £38,796,000 in 2021, primarily due to on 31 January 2021, the business of BT Limited Hungarian Branch and BT Limited, organizacni slozka was transferred to a new European company (BT Global Europe B.V.). Consequently, gross profit decreased during the year by £1,637,000 to £4,210,000.

The Company recognised dividend income of £786,000 (2020: £1,370,000) from its subsidiary, BT Communications Services South Africa (Proprietary) Limited.

For year ended 31 March 2021, the Company restated and resulted to increase its cost of investment in BT Communications Services South Africa (Proprietary) Limited ("BTCSSA") by £1,712,000. See note 13 in the notes to the financial statements.

Profit before taxation reduced year on year from £5,474,000 to £5,294,000. Net assets increased by £2,200,000 to £363,173,000 (2020: £360,973,000) in 2021.

For presentation purposes contract assets, contract liabilities and deferred contract costs have been disclosed separately on the statement of financial position including the prior year comparative.

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 the group level rather than at an individual business unit or statutory entity level. They are discussed on pages 57-66 of BT Group's 2021 Annual Report which does not form part of this report.

Key performance indicators ("KPIs")

The Company is part of the Global customer facing unit ("CFU") and the directors of BT Group plc manage the group's operations on a CFU divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary for the understanding of the development, performance or position of the business of the Company. Global's performance and key performance indicators are discussed page 46 and 55, respectively, of BT Group plc's 2021 Annual Report which does not form part of this report.


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
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Strategic report (continued)**Section 172(1) Statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

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

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and relationships with employees, customers and suppliers. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for companies in a large group, the Company delegates authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. The Company delegates to executive management to review the Company's financial and operational performance, risk and compliance, and health and safety matters.

The views and the impact of the Company's activities on the Company's stakeholders (including its customers and suppliers) are an important consideration for us when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the BT Group means that generally stakeholder engagement best takes place at an operational or group level. The Company finds that as well as being a more efficient and effective approach, this also helps it achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on the some of the engagement that has taken place with the Company's stakeholders so as to help the directors to understand the issues to which they must have regard, and the impact of that feedback on decisions, please see the stakeholder pages 42 and 43 of the BT Group plc's 2021 Annual Report.

During the period the Company received information to help it understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions.

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Strategic report (continued)**Section 172(1) Statement (continued)**

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

One example of how the Company has had regard to the matters set out in section 172(1)(a)-(f) when discharging its section 172 duties and the effect of that on decisions taken during the year, is the sale and transfer of its wholly owned subsidiary company, BT Global Europe BV, to fellow BT Group subsidiary company, BT (Netherlands) Holdings BV. In making this decision, the Board considered a range of factors. These included the expectations of its shareholder and its plan to simplify the corporate structure of the group.

The Strategic report was approved by the Board of Directors on 30 September 2021 and signed on its behalf by:



Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary
30 September 2021

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Directors' Report

The directors present their report and the audited financial statements of BT Limited for the year ended 31 March 2021. The registered number of the Company is 2216369.

Principal activities and future developments

The Company's principal activity is the provision of telecommunications services and the provision of services to British Telecommunications plc ("BT") 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 and has overseas branches in Hungary, the Czech Republic, China, South Africa and Taiwan. The South African and China branches are dormant. The Company also has a 70% interest in BT Communications Services South Africa (Proprietary) Limited. On 31 January 2021, the business of BT Limited Hungarian Branch and BT Limited, organizacni slozka was transferred to a new European company (BT Global Europe B.V.).

Results and dividends

The profit before taxation was £5,294,000 (2020: £5,474,000). The tax charge was £1,122,000 (2020: £986,000) which resulted in profit for the financial year of £4,172,000 (2020: £4,488,000). The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2021 (2020: £nil).

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.

Further details are set out in the BT Group plc Annual Report for the year ended 31 March 2021, which does not form part of this report.

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Directors' Report (continued)**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.

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.

Going concern

The Company generated a profit for the year of £4,172,000 and had net assets of £363,173,000 at 31 March 2021. While the entity is in a net asset position and has generated a profit in the current year, British Telecommunications plc has indicated its intention to continue to make available such funds as are needed by the Company for a period of at least twelve months from the date of approval of these financial statements. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore, have prepared the financial statements on a going concern basis.

Risk assessments have taken place at a Global or relevant organisational unit level to identify the potential financial, strategic, operational and regulatory impacts of COVID-19. The directors have considered the applicability of these risk assessments to the Company. Based on these assessments there was no identified material impact for these financial statements.

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
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
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Directors' Report (continued)

Engagement with suppliers, customers and others in business relationships with the company

The directors have had regard to the need to foster the company's business relationships with suppliers, customers and other stakeholder, and the effect of that regard, including on the principal decisions taken by the company during the financial year have been included in Section 172 (1) Statement disclosed under Strategic report.

Directors

The directors, who served throughout the year and up until the date of signing, were as follows:

CB Ryan

N Brenchley

AJ Gara (resigned on 11 June 2020)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of a Directors' and Officers' liability insurance, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, purchased by BT Group plc and applicable to the directors of the Company, was in force throughout the last financial year and is currently in force. Neither the insurance nor the indemnity provides cover where the person has acted fraudulently or dishonestly.

Disclosure of information to the auditor

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

Independent auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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BT Limited

8

Directors' Report (continued)

The Directors' Report on page 5 to 8 were approved by the Board of directors on 30 September 2021.

By order of the Board



Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary
30 September 2021

Registered Office
81 Newgate Street
London
EC1A 7AJ
United Kingdom

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Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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Independent Auditor's report to the members of BT Limited

Opinion

We have audited the financial statements of BT Limited ("the company") for the period ended 31 March 2021 which comprise the Profit & Loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity and Notes to the financial statements, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

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

In our evaluation of the director's conclusion, we considered the inherent risks to the company's business model and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

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

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

- enquiring of directors and inspection of policy documentation as to the BT Group plc's policies and procedures to prevent and detect fraud that apply to this Group company as well as enquiring whether the Directors have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes, and
- Using analytical procedures to identify any unusual or unexpected relationships

As required by the auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries.

On this audit we do not believe there is a fraud risk related to revenue recognition and as a result this presumed risk has been rebutted. This is because there is significant segregation of duties from the organisation design, there is low estimation uncertainty in determining revenue, and there are few judgements in determining revenue to be recognised.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on high risk criteria and comparing the identified entries to supporting documentation. These included specific journal pairings.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with the Directors (as required by auditing standards) and discussed with Directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including:

- financial reporting legislation (including related companies' legislation and distributable profits legislation); and
- taxation legislation

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

We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequence of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified telecommunications legislation as those mostly likely to have such an effect. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the Directors and management and inspection of regulatory and legal correspondence, if any. Therefore, if a branch of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with the auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

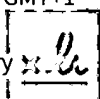
- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies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

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


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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

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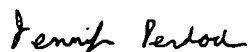
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Independent Auditor's report to the members of BT Limited (continued)

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Jennifer Perdoch (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London E14 5GL
United Kingdom
30 September 2021

Chris Ryan

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Income statement for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Revenue	3	38,796	41,577
Cost of sales		<u>(34,586)</u>	<u>(35,730)</u>
Gross profit		4,210	5,847
Other operating costs		<u>(2,524)</u>	<u>(4,625)</u>
Operating profit	4	1,686	1,222
Income from shares in group undertakings	5	786	1,370
Finance income	6	3,535	5,470
Finance expense	7	<u>(713)</u>	<u>(2,588)</u>
Profit before taxation		5,294	5,474
Taxation	10	<u>(1,122)</u>	<u>(986)</u>
Profit for the financial year		<u>4,172</u>	<u>4,488</u>

All results derive from continuing operations.

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

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Statement of comprehensive income for the year ended 31 March 2021

	2021 £'000	2020 £'000
Profit for the financial year	4,172	4,488
Items that may be reclassified to income statement		
Investment adjustment (note 13)	1,712	-
Currency translation differences on foreign currency branches	<u>(3,698)</u>	<u>4,266</u>
Total comprehensive income for the financial year	<u>2,186</u>	<u>8,754</u>

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

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
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
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Statement of financial position as at 31 March 2021

Company registered number – 2216369

	Note	2021 £'000	2020 £'000
Non-current assets			
Tangible assets	11	202	1,876
Right-of-use assets	12	1,476	4,406
Investments	13	5,776	4,064
Deferred contract assets		-	26
Total non-current assets		7,454	10,372
Current assets			
Trade and other receivables	14	406,059	434,753
Contract assets		141	1,134
Deferred contract assets		-	104
Cash at bank and in hand	15	734	3,741
Total current assets		406,934	439,732
Current liabilities			
Trade and other payables	16	(49,394)	(83,255)
Lease liabilities	12	(398)	(986)
Contract liabilities		(258)	(1,332)
Total current liabilities		(50,050)	(85,573)
Net current assets		356,884	354,159
Non-current liabilities			
Lease liabilities	12	(1,127)	(3,463)
Contract liabilities		(38)	(95)
Total non-current liabilities		(1,165)	(3,558)
Net assets		363,173	360,973
Equity			
Share capital	18	-	-
Retained earnings		363,173	360,973
Total equity		363,173	360,973

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

The financial statements on pages 14 to 37 were approved by and authorised for issue by the Board of directors on 30 September 2021 and were signed on its behalf by:



N Brenchley
Director

Chris Ryan

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Statement of changes in equity for the year ended 31 March 2021

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 April 2019	453,719	55,350	(156,834)	352,235
Profit for the financial year	-	-	4,488	4,488
Share based payments	-	-	(16)	(16)
Currency translation differences on overseas branches	-	-	4,266	4,266
Reduction of Share capital and Share premium*	(453,719)	(55,350)	509,069	-
At 31 March 2020	-	-	360,973	360,973
Profit for the financial year	-	-	4,172	4,172
Share based payments	-	-	14	14
Investment adjustment (note 13)	-	-	1,712	1,712
Currency translation differences on overseas branches	-	-	(3,698)	(3,698)
At 31 March 2021	-	-	363,173	363,173

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

*In FY 2020 the Company undertook a capital reduction exercise whereby:

- Fully paid share capital was reduced from £343,719,438 to £100 by the cancellation of 343,719,338 fully paid ordinary shares of £1 each;
- Ordinary shares, 500,000,000 of which were partly paid at 22p each, were reduced to £nil; and
- Share premium was reduced from £55,344,999 to £nil.

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
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
Financial Controller



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Notes to the financial statements for the year ended 31 March 2021**1. General information**

The Company's principal activity is being part of a global communications network and the provision of services to BT Group plc and its subsidiary companies, and the sale of BT group's products and services in overseas markets through overseas branches and representative offices.

The Company is a private company, limited by shares and is incorporated and domiciled in the UK. The address of its registered office is 81 Newgate Street, London EC1A 7AJ.

The Company is a wholly owned subsidiary of BT Group plc and is included in the consolidated financial statements of BT Group plc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006.

2. Basis of preparation and accounting policies**Preparation of financial statements**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of the UK-adopted International Financial Reporting Standards ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements have been prepared under the historic cost convention and in accordance with the Companies Act, 2006. The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies.

For presentation purposes contract assets, contract liabilities and deferred contract costs have been disclosed separately on the statement of financial position including the prior year comparative.

Exemptions

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available. The following exemptions have been taken:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.
- The requirements of IFRS 7 Financial Instruments: Disclosures.
- The requirements of IAS 7 Statement of Cash Flows.

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Exemptions (continued)**

- The requirements of the second sentence of paragraph 110 and from paragraphs 113a, 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 'Revenue from Contracts with Customers'
- The requirements of paragraphs 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which a party to the transaction is wholly owned by such a member.
- Paragraphs 30 and 31 of IAS 8 accounting policies, changes in accounting estimates and errors.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
 - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
 - (iii) paragraph 118(e) of IAS 38 'Intangible Assets'.
- The following paragraphs of IAS 1 'Presentation of Financial Statements':
 - 10(d) (statement of cash flows);
 - 10(f) (third statement of financial position);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (third statement of financial position);
 - 111 (cash flow statement information); and
 - 134 to 136 (capital management disclosures).
- Exemption from the requirements of paragraph 52. Also exempted from the requirements of paragraph 58, provided that the disclosure of details of indebtedness required by paragraph 61 (1) of Schedule 1 to SI 2008/410 is presented separately for lease liabilities and other liabilities in total.

The Company intends to continue to apply the disclosure exemptions allowable by FRS 101 for the foreseeable future. Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

Going concern

The Company generated a profit for the year of £4,172,000 and had net assets of £363,173,000 at 31 March 2021. While the entity is in a net asset position and has generated a profit in the current year, British Telecommunications plc has indicated its intention to continue to make available such funds as are needed by the Company for a period of at least twelve months from the date of approval of these financial statements.

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Going concern (continued)**

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least twelve months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Risk assessments have taken place at a Global or relevant organisational unit level to identify the potential financial, strategic, operational and regulatory impacts of COVID-19. The directors have considered the applicability of these risk assessments to the Company. Based on these assessments there was no identified material impact for these financial statements.

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

The following new or amended standards and interpretations are applicable in future periods but are not expected to have a significant impact on the financial statements. Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

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 Company is preparing to move to the new benchmark rates in accordance with timelines as per Regulatory guidelines.

Critical accounting estimates and key judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Significant estimates and judgements - Leases****Reasonable certainty**

Where the Company is a lessee, it is required to assess whether it is reasonably certain that it will exercise purchase, termination and renewal options in measuring lease liabilities and setting the lease term. In doing so it exercises considerable judgement in evaluating whether the lessee has an economic incentive to exercise the option, especially in respect of the long-term property and network infrastructure leases. To assist the process, 'reasonable certainty' has been defined as being more than 80% certain that such an economic incentive exists, having considered all relevant facts and circumstances.

Lease term

Determining the lease term requires the exercise of judgement to evaluate whether the lessee is reasonably certain to exercise any options. Where the Company acts as lessee it has considered it appropriate to align its definition of reasonable certainty with the judgements made in its medium-term plan in regard to leased assets.

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Revenue*Identification of performance obligations and timing of revenue recognition*

On inception of the contract a "performance obligation" is identified for each of the distinct goods or services to be provided to the customer. The consideration specified in the contract with the customer is allocated to each performance obligation identified based on their relative standalone selling prices and is recognised as revenue as they are satisfied. Below is a summary of the revenue recognition policy for each of the major performance obligations identified.

Information Communications and Technology (ICT) services and managed networks

Revenue for services is recognised over time using a measure of progress that appropriately reflects the pattern by which the performance obligation is satisfied. For long-term fixed price contracts revenue recognition will typically be based on the achievement of contract milestones and customer acceptance since milestones are points at which the Company and the customer agree that the Company has satisfied its obligations. For time and material contracts, revenue is recognised as the service is received by the customer. Where distinct performance obligations exist for the provision of hardware, revenue is recognised at the point in time that the customer obtains control of the promised asset.

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Accounting policies (continued)****Revenue (continued)***Fixed access subscriptions*

Fixed subscription charges are recognised as revenue on a straight-line basis over the period that the services are provided. Upfront charges for non-distinct connection and installation services are deferred as contract liabilities and are recognised as revenue over the same period. Variable charges such as call charges are recognised as and when the related services are delivered. Where installation activities are distinct performance obligations, revenue is recognised at the point in time that the installation is completed.

Equipment and other services

Revenue from equipment sales is recognised at the point in time that control passes to the customer. Where payment is not received in full at the time of the sale, such as with equipment provided as part of mobile and fixed access subscriptions, contract assets are recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment. For other services, revenue is recognised over the period that the related performance obligations are satisfied, which could be over time or at a point in time depending on the nature of the service.

Standalone selling price

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

Long-term contracts

Long-term Information Communication and Technology (ICT) services and managed network contracts will contain more than one performance obligation. Incremental costs of obtaining and fulfilling contracts are recognised as assets. An impairment loss is recognised to the extent that the carrying amount of such assets exceeds the remaining consideration to be received. Recognised revenue and profits are subject to revisions during the contract if the assumptions regarding the overall contract outcome are changed.

The cumulative impact of a revision in estimates is recorded in the period in which such revisions become likely and can be estimated. Where the actual and estimated costs to completion of the contract exceed the estimated revenue, a loss is recognised immediately.

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Accounting policies (continued)****Contract assets and liabilities**

Contract assets are recognised for goods and services for which control has transferred to the customer before consideration is due. These assets mainly relate to mobile handsets provided upfront but paid for over the course of a contract. Contract assets are reclassified as receivables when the right to payment becomes unconditional. Contract liabilities are recognised for advance payment for goods and services that have not been transferred to the customer. These primarily relate to fees received for connection and installation services that are not distinct performance obligations.

Contract costs

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

Costs related to delivering services under long-term contractual arrangements are expensed as incurred except for an element of costs incurred in the initial contract set-up, transition or transformation phase. These costs are recorded as assets and amortised on a straight-line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are regularly assessed for recoverability.

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.

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 comprehensive income / (expense).

Stocks

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

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
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
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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Accounting policies (continued)****Trade and other receivables**

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount. They are subsequently classified as at amortised cost using the effective interest method. The carrying amount of these balances approximates to fair value due to the short maturity of amounts receivable.

An allowance for doubtful debts is recognised on initial recognition of receivables, which is deducted from the gross carrying amount of the receivable. The allowance is calculated by reference to credit losses expected to be incurred over the lifetime of the receivable. Historical experience and informed credit assessment, alongside other factors such as the current state of the economy and particular industry issues, is considered when estimating a loss allowance. Reasonable and supportable information that is relevant and available without undue cost or effort is considered.

Once recognised, trade receivables are continuously monitored and updated. Allowances applied consist of both specific impairments and collective impairments, based on historical loss experiences for the relevant aged category as well as forward-looking information and general economic conditions.

Trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount. They are subsequently carried at amortised cost using the effective interest method.

Loans and other borrowings

Loans and other borrowings are initially recognised at the fair value of amounts received net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Income from fixed asset investments

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

Share based payments

The ultimate parent, BT Group plc, operates a number of equity settled share-based arrangements, as detailed in note 22 to the BT Group plc's 2021 Annual Report, under which the company receives services from employees as consideration for equity instruments (share options and shares) of BT Group plc.

Equity settled share-based payments are measured at fair value at the date of grant excluding the effect of non-market-based vesting conditions but including any market-based performance criteria and the impact of non-vesting conditions (for example the requirement for employees to save).

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Accounting policies (continued)****Share based payments (continued)**

The fair value determined at the grant date is recognised as an expense on a straight-line basis over the vesting period, based on the company's estimate of the options or shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using either the Binomial options pricing model or Monte Carlo simulations, whichever is most appropriate to the share-based payment arrangement.

Service and performance conditions are vesting conditions. Any other conditions are non-vesting conditions which have to be taken into account to determine the fair value of equity instruments granted. In the case that an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, this is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the profit and loss account.

As the requirement to save under an employee share save arrangement is a non-vesting condition, employee cancellations are treated as an accelerated vesting.

Awards that lapse or are forfeited result in a credit to the profit and loss account (reversing the previously recognised charges) in the year in which they lapse or are forfeited.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost, net of any accumulated depreciation, and any impairment charges. On disposal of tangible fixed assets, the difference between the sale proceeds and the net book value at the date of disposal is recorded in operating costs in the profit and loss account.

Depreciation is provided on tangible fixed assets on a straight line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value. Freehold land is not depreciated.

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

Leasehold improvements	3-5 years
Network assets	3-10 years

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.


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
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
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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Accounting policies (continued)****Leases**Identifying whether a lease exists

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

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

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

Lessee accounting

The company recognises a lease liability and right-of-use asset at the commencement of a lease.

Lease liabilities are initially measured at the present value of lease payments that are due over the lease term, discounted using the group's incremental borrowing rate. This is the rate that we would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. Lease payments include:

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

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**Notes to the financial statements for the year ended 31 March 2021
(continued)****2. Basis of preparation and accounting policies (continued)****Accounting policies (continued)****Leases (continued)**

Lease liabilities are subsequently measured at amortised cost using the effective interest method. They are remeasured if there is a change in future lease payments or the amount to be payable under a residual value guarantee, or if there are changes in assessment of whether the Company will exercise a purchase, renewal or termination option.

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

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

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

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.


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
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
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Notes to the financial statements for the year ended 31 March 2021 (continued)

3 Revenue

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

Geographical analysis of revenue:

	2021 £'000	2020 £'000
UK	27,407	27,808
Continental Europe	6,813	8,254
Rest of World	4,576	5,515
	<u>38,796</u>	<u>41,577</u>

Geographical analysis of operating profit/(loss):

	2021 £'000	2020 £'000
UK	699	560
Continental Europe	529	166
Rest of World	458	496
	<u>1,686</u>	<u>1,222</u>

Geographical analysis of net assets:

	2021 £'000	2020 £'000
UK	368,870	382,125
Continental Europe	(12,825)	(12,331)
Rest of World	7,128	(8,821)
	<u>363,173</u>	<u>360,973</u>

Contract assets and liabilities

Contract assets and liabilities are shown on the face of the balance sheet.

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Notes to the financial statements for the year ended 31 March 2021 (continued)

4 Operating profit

Operating profit is stated after charging:

	2021 £'000	2020 £'000
Employee costs (note 9)	1,224	1,895
Auditor's remuneration – fee payable for the Statutory audit of the company	65	31
Rental costs relating to operating leases	16	12
Depreciation on:		
Tangible fixed assets	910	1,082
Right-of-use assets	870	945
Net foreign exchange loss	56	122
Profit on sale of subsidiary	<u>708</u>	<u>-</u>

Depreciation of tangible fixed assets has been included in other operating costs for the current and comparative period.

5 Income from shares in group undertakings

	2021 £'000	2020 £'000
Income from shares in group undertakings	<u>786</u>	<u>1,370</u>

Income from shares in group undertakings comprises dividends received from the Company's subsidiary BT Communication Services South Africa (Proprietary) Limited.

6 Finance income

	2021 £'000	2020 £'000
Interest receivable from group undertakings	3,531	5,465
Other interest receivable	<u>4</u>	<u>5</u>
	<u>3,535</u>	<u>5,470</u>

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Notes to the financial statements for the year ended 31 March 2021 (continued)

7 Finance expense

	2021 £'000	2020 £'000
Interest payable to group undertakings	649	2,501
Lease liabilities	64	87
	<u>713</u>	<u>2,588</u>

8 Directors' emoluments

The directors are employed and remunerated by British Telecommunications plc in respect of their services to the BT group as a whole. No qualifying services are performed by the directors in respect of the Company and therefore no emoluments were paid to the directors in the year ended 31 March 2021 (2020: £nil).

9 Employee information

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

	2021	2020
Selling and marketing	-	10
Administration	-	12
Operation	-	11
Other	1	7
	<u>1</u>	<u>40</u>

Employment costs of all employees included above:

	2021 £'000	2020 £'000
Wages and salaries	1,093	1,726
Social security costs	117	185
Share based payments	14	(16)
	<u>1,224</u>	<u>1,895</u>

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Notes to the financial statements for the year ended 31 March 2021 (continued)

10 Taxation

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax charge at 19% (2020: 19%)	581	872
Adjustment in respect of prior years	185	(171)
Non UK tax charge	384	257
Total current tax charge	1,150	958
Origination and reversal of timing differences	(28)	71
Deferred tax (under)/over provided in previous years	-	(33)
Re-measurement of deferred tax balances	-	(10)
Total deferred tax	(28)	28
Total income tax expense	1,122	986

Reconciliation of the total tax charge

The tax expense in the income statement for the year is £1,122,000 (2020: £986,000) which is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are reconciled below.

	2021 £'000	2020 £'000
Profit before taxation	5,294	5,474
Profit multiplied by standard rate of corporation tax at 19% (2020: 19%)	1,006	1,040
Effects of:		
Expenses not deductible for tax purposes	48	15
Non-taxable income	(187)	(409)
Effects of overseas tax rates	(61)	(2)
Tax losses not recognised	45	456
Changes in tax laws and rates	-	(10)
Current tax (over)/under provided in previous years	185	(171)
Deferred tax (over)/under provided in previous years	-	(33)
Other foreign taxes	86	100
Total income tax expense	1,122	986

Factors affecting current and future tax charges

During the Chancellor's Budget on 3 March 2021, a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023 was announced. This will increase the company's future current tax charge/credit accordingly.

Deferred tax assets and liabilities are measured at the appropriate local rate that expected to apply in the periods of reversal. Deferred tax balances at 31 March 2021 in each jurisdiction, of which the company does business and where they are recognised, have therefore been calculated at the rate at which they are expected to be recovered or settled. The change in tax rate will have no material effect on the deferred tax.

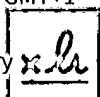
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
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Notes to the financial statements for the year ended 31 March 2021 (continued)

11 Tangible assets

	Leasehold improvements £'000	Network assets £'000	Total £'000
Cost			
At 1 April 2020	413	23,343	23,756
Additions	5	1,619	1,624
Intragroup transfers	(236)	(7,654)	(7,890)
Disposals	1	(121)	(120)
Exchange differences	(3)	(152)	(155)
At 31 March 2021	180	17,035	17,215
Accumulated depreciation			
At 1 April 2020	(393)	(21,487)	(21,880)
Charged in the year	(5)	(905)	(910)
Intragroup transfers	214	5,281	5,495
Disposals	-	86	86
Exchange differences	4	192	196
At 31 March 2021	(180)	(16,833)	(17,013)
Net book value as at 31 March 2021	-	202	202
Net book value as at 31 March 2020	20	1,856	1,876

12 Leases

Right-of-use assets

	Land & Building £'000	Vehicle £'000	Others £'000	Total £'000
Cost				
At 1 April 2020	5,094	251	1	5,346
Additions	-	13	-	13
Expired leases	(116)	(34)	-	(150)
Disposal	(721)	-	-	(721)
Transfer	(1,503)	(220)	(1)	(1,724)
Exchange differences	(191)	(10)	-	(201)
At 31 March 2021	2,563	-	-	2,563
Depreciation				
At 1 April 2020	(873)	(67)	-	(940)
Charge for the year	(777)	(56)	-	(833)
Expired leases	-	17	-	17
Transfer	531	103	-	634
Exchange differences	32	3	-	35
At 31 March 2021	(1,087)	-	-	(1,087)
Net book value				
At 31 March 2021	1,476	-	-	1,476
At 31 March 2020	4,221	184	1	4,406

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Notes to the financial statements for the year ended 31 March 2021 (continued)

12 Lease (continued)

Lease liabilities

Lease liabilities recognised at 31 March 2021 totalled £1,525,000 (2020: £4,449,000). £398,000 (2020: £986,000) of this balance is classified as current, with the remaining £1,127,000 (2020: £3,463,000) classified as non-current.

Interest expense of £64,000 (2020: £87,000) was accrued on lease liabilities in the year ended 31 March 2021. The total cash outflow for leases in the year ended 31 March 2021 was £876,000 (2020: £992,000).

13 Investments

	Subsidiary undertakings £'000
Cost	
At 1 April 2020	4,064
Addition	2,772
Transfer	(2,772)
Investment adjustment	1,712
At 31 March 2021	<u>5,776</u>
Net book value at 31 March 2021	<u>5,776</u>

Net book value at 31 March 2020	<u>4,064</u>
---------------------------------	--------------

For year ended 31 March 2021, the cost of investments in BT Communications Services South Africa (Proprietary) Limited ("BTCSSA") was restated and resulted to increase in investment by £1,712,000 to reflect a revaluation adjustment to historic cost of £5,776,000. The directors have assessed that the adjustment is not considered material and hence the accounts have not been restated.

During the year the Company acquired shares in BT Global Europe B.V for a consideration of £2,772,000 and transferred these shares to BT (Netherlands) Holdings BV.

In the opinion of the directors, the carrying value of the investments is supported by their underlying net assets. A list of the Company's subsidiaries and branches can be found in note 20.

14 Trade and other receivables

	2021 £'000	2020 £'000
Current		
Trade receivables	570	2,972
Corporation tax- Non-UK	132	240
Amounts owed by group undertakings	404,775	431,019
Deferred tax asset – Non-UK (note 17)	18	-
Deferred tax asset – UK (note 17)	64	78
Prepayments and accrued income	500	444
Total trade and other receivables	<u>406,059</u>	<u>434,753</u>

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Notes to the financial statements for the year ended 31 March 2021 (continued)

14 Trade and other receivables (continued)

Amounts owed by group undertakings include interest-bearing loans of £404,775,000 (2020: £431,019,000) from fellow group companies. This includes a £360,172,000 (2020: £382,947,000) loan with BT plc which bears interest at GBP LIBOR plus 37.5 (2020: GBP LIBOR plus 42.5) basis points which is repayable on demand.

15 Cash at bank and in hand

Cash at bank and in hand comprises cash in hand and current balances with banks and similar institutions, which are readily convertible to cash and are subject to insignificant risk of changes in value and have an original maturity of three months or less.

16 Trade and other payables

	2021	2020
Current	£'000	£'000
Trade payables	970	2,611
Amounts owed to group undertakings	47,576	78,853
Corporation tax payable – UK	581	871
Corporation tax payable – Non-UK	64	140
Other payables	94	693
Taxation and social security	109	63
Deferred tax liability -Non-UK (note 17)	-	24
	<u>49,394</u>	<u>83,255</u>

Amounts owed to group undertakings include interest bearing sterling loans of £47,576,000 (2020: £78,853,000). The loans are payable on demand and attract interest at an available Bloomberg rate appropriate to the currency the loan is denominated in plus 97.5 (2020: 102.5) basis points.

17 Deferred tax

Deferred tax asset/(liability)	Fixed assets	Other temporary differences	Total as at 31 March
	£'000	£'000	2021 £000
Balance at 1 April 2020	78	(24)	54
Deferred tax (charge)/credit to P&L	(14)	42	28
Balance at 31 March 2021	<u>64</u>	<u>18</u>	<u>82</u>

Deferred tax asset/(liability)	Fixed assets	Other temporary differences	Total as at 31 March
	£'000	£'000	2020 £000
Balance at 1 April 2019	82	-	82
Adjustment in respect of prior years	2	27	29
Deferred tax (charge)/credit to P&L	(6)	(55)	(61)
Foreign exchange	-	4	4
Balance at 31 March 2020	<u>78</u>	<u>(24)</u>	<u>54</u>

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Notes to the financial statements for the year ended 31 March 2021 (continued)

18 Share capital

	2021 £'000	2020 £'000
Allotted, called up and fully paid:		
100 (2020: 100) ordinary shares of £1 (2020: £1) each	-	-
	-	-

In FY 2020 the Company undertook a capital reduction exercise whereby:

- Fully paid share capital was reduced from £343,719,438 to £100 by the cancellation of 343,719,338 fully paid ordinary shares of £1 each;
- Ordinary shares, 500,000,000 of which were partly paid at 22p each, were reduced to £nil; and
- Share premium was reduced from £55,344,999 to £nil.

19 Controlling entities

The Company is a wholly-owned subsidiary of BT Holdings Limited, 81 Newgate Street, London, EC1A 7AJ, United Kingdom, which is the immediate controlling entity. The ultimate controlling entity is 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 IAS 24 "Related Party Disclosures" from disclosing details of transactions and balances with BT Group plc and fellow group subsidiaries provided wholly owned members of the group during the year ended 31 March 2021. 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.

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**Notes to the financial statements for the year ended 31 March 2021
(continued)**

20 Related Undertakings

Company Name	Company Activity	Group Interest in allotted capital	Number and Class of Shares	Address
Subsidiary				
BT Communications Services South Africa (Proprietary) Limited	Communications related services, systems integration and products provider	70%	70,000 Ordinary Shares	BT Building, Woodmead North Office Park, 54 Maxwell drive, Woodmead, South Africa
Branch				
BT Limited, South Africa branch	Dormant	100%	Branch office	First Floor, Culross Court North, 16 Culross Road, Bryanston 2021, 2021, South Africa
LBT Limited, Magyaavorszagi Fiokelope *	Communications related services, systems integration and products provider	100%	Branch office	Budafoki U. 91-93, Budapest, 1117, Hungary
BT Limited, Taiwan Branch	Communications related services, systems integration and products provider	100%	Branch office	Shin Kong Manhattan Building, 14F, No. 8, Sec. 5, Xinyi Road, Taipei, 11049, Taiwan
BT Limited, Beijing Office	Dormant	100%	Branch office	No. 3 Dong San Huan Bei Lu, Chao Yang District, Beijing, 100027, China
BT Limited, organizacni slozka*	Communications related services, systems integration and products provider	100%	Branch office	Katerinska 466/40, Nove Mesto, Prague 2, 120 00, Czech Republic

* The business of BT Limited Hungarian Branch and BT Limited, organizacni slozka has been moved to new European company (BT Global Europe B.V.), effective date 31 January 2021.

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