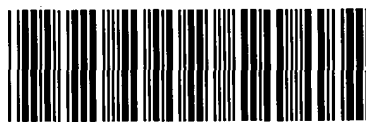


Registered number: 4278695

**BT Group Investments Limited**

**Strategic Report, Directors' Report  
and Financial Statements  
for the year ended  
31 March 2014**

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# **BT Group Investments Limited**

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## **Directors and advisors**

### **Directors**

MP Genikis  
LC Winnister  
VA Haynes

### **Company Secretary**

HG Brierley

### **Registered Office**

81 Newgate Street  
London  
EC1A 7AJ

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

**Strategic report for the year ended 31 March 2014**

The directors present their strategic report for BT Group Investments Limited for the year ended 31 March 2014.

**Review of business**

The company received dividend income of £1,300m (2013: £1,400m) from BTplc. The company paid interest and similar expenses of £180m (2013: £225m) on loans payable to group undertakings.

The directors of BT Group plc (the immediate and ultimate controlling entity of the Company) manage the group's risks at a group level, rather than at an individual business unit level. For this reason, the Company's directors believe that a discussion of the group's risks would not be appropriate for an understanding of the development, performance or position of the Company's business. The principal risks and uncertainties of BT Group plc, which include those of the Company, are discussed on pages 50 to 55 of the 2014 annual report of BT Group plc, which does not form part of this report.

**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,**



**L C Winnister**  
Director  
14 August 2014

**Directors' report for the year ended 31 March 2014**

The directors submit their report and the audited financial statements of BT Group Investments Limited ("the Company") for the year ended 31 March 2014. The registered number of the Company is 4278695.

**Principal activities and future developments**

The Company's principal activity is to act as an investment holding company within the BT Group plc group of companies. The directors do not anticipate any changes in the Company's principal activity in the foreseeable future.

**Results and dividends**

The profit on ordinary activities before taxation was £1,124,279,000 (2013: £1,172,949,000). The tax on profit from ordinary activities was £40,416,000 (2013: £54,492,000) which left a profit for the year of £1,164,695,000 (2013: £1,227,441,000).

The directors have declared an interim dividend amounting to £1,000,000,000 which was paid on 29 August 2013 (2013: £1,000,000,000).

**Directors**

A list of the current directors is set out on page 1. The directors held office throughout the year and up to the date of signing of this report.

**Directors' indemnities**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

**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.

**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; and
- 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.

The directors' report on pages 3 to 4 were approved by the Board of directors on 14 August 2014 and were signed on its behalf by

By order of the Board,



**L C Winnister**

Director

14 August 2014

**Independent auditors' report to the members of BT Group Investments Limited**

**Report on the financial statements**

**Our Opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 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.

This opinion is to be read in the context of what we say in the remainder of this report.

**What we have audited**

The financial statements, which are prepared by BT Group Investments Limited, comprise:

- Balance Sheet as at 31 March 2014;
- Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation 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.

**What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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.

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

In addition, we read all the financial and non-financial information in the Strategic Report, Director's report and Financial Statements (the "Annual Report") 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.

**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.

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 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and 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.



Martin Cowie (Senior Statutory Auditor)  
For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Edinburgh

19 Aug 2014



**Profit and loss account for the year ended 31 March 2014**

	Notes	2014 £'000	2013 £'000
Operating income / (expense)		<u>3,879</u>	<u>(2,184)</u>
<b>Operating profit / (loss)</b>	1	3,879	(2,184)
Investment income	2	<u>1,300,000</u>	<u>1,400,000</u>
<b>Operating profit</b>		1,303,879	1,397,816
Interest payable and similar expenses	3	<u>(179,600)</u>	<u>(224,867)</u>
<b>Profit on ordinary activities before taxation</b>		1,124,279	1,172,949
Tax credit on profit on ordinary activities	6	<u>40,416</u>	<u>54,492</u>
<b>Profit for the financial year</b>	13	<u>1,164,695</u>	<u>1,227,441</u>

All results derive from continuing operations.

There have been no recognised gains or losses during either 2014 or 2013 other than as disclosed in the profit and loss account and therefore no separate statement of total recognised gains or losses has been presented.

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

## Balance sheet as at 31 March 2014

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Investments	8	<u>18,553,807</u>	<u>18,553,807</u>
<b>Current assets</b>			
Debtors	9	40,416	54,496
<b>Creditors:</b> amounts falling due within one year	10	<u>(13,556,946)</u>	<u>(12,713,075)</u>
<b>Net current liabilities</b>		<u>(13,516,530)</u>	<u>(12,658,579)</u>
<b>Total assets less current liabilities</b>		5,037,277	5,895,228
<b>Creditors:</b> amounts falling due after more than one year	11	<u>(4,794,116)</u>	<u>(5,816,762)</u>
<b>Net assets</b>		<u><u>243,161</u></u>	<u><u>78,466</u></u>
<b>Capital and reserves</b>			
Called up share capital	12	50	50
Share premium account	13	3,427	3,427
Profit and loss account	13	<u>239,684</u>	<u>74,989</u>
<b>Total shareholders' funds</b>	14	<u><u>243,161</u></u>	<u><u>78,466</u></u>

The financial statements on pages 8 to 16 were approved by the Board of directors on 14 August 2014 and were signed on its behalf by



**L C Winnister**  
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 accounts as the financial statements of BT Group Investments 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 provisions for doubtful debts, investment impairment, provisions for liabilities and charges and taxes.

### **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### **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.

### **Taxation**

The charge for taxation is based on the results 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.

**Accounting policies (continued)****Taxation (continued)**

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**

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 FRS 1 (Revised 1996) "Cash Flow Statement" from publishing a cash flow statement.

**Financial instruments***Loans and receivables*

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

- those that the Company intends to sell immediately or in the short term, which are classified as held for trading;
- those for which the Company may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using the effective interest method, with changes in carrying value recognised in the profit and loss account in the line which most appropriately reflects the nature of the item or transaction.

**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 or losses are dealt with through the profit and loss account.

## Notes to the financial statements

**1 Operating profit / (loss)**

Operating profit / (loss) is stated after charging:

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Auditors' remuneration for audit services	(10)	(10)
Foreign exchange gain / (loss)	<u>3,891</u>	<u>(2,174)</u>

**2 Investment income**

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Income from shares in subsidiary undertakings	<u>1,300,000</u>	<u>1,400,000</u>

**3 Interest payable and similar expenses**

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
Interest payable on loans from group undertakings	<u>(179,600)</u>	<u>(224,867)</u>

**4 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 2014 (2013: £nil).

**5 Employee information**

The average number of persons employed by the Company during the year was nil (2013: nil).

**6 Tax on profit on ordinary activities**

	<b>2014</b> <b>£000</b>	<b>2013</b> <b>£000</b>
<b>Current tax:</b>		
UK corporation tax at 23% (2013: 24%)	<u>(40,416)</u>	<u>(54,492)</u>
Tax on profit on ordinary activities	<u>(40,416)</u>	<u>(54,492)</u>

The tax assessed for the year is lower than (2013: lower than) the standard rate of corporation tax in the UK. The differences are explained below:

## Notes to the financial statements (continued)

## 6 Tax on profit on ordinary activities (continued)

	2014 £'000	2013 £'000
<b>Profit on ordinary activities before taxation</b>	<u>1,124,279</u>	<u>1,172,949</u>
Profit on ordinary activities multiplied by standard rate of corporation tax at 23% (2013: 24%)	258,584	281,508
Effects of: Investment income	<u>(299,000)</u>	<u>(336,000)</u>
Current tax credit	<u>(40,416)</u>	<u>(54,492)</u>

The Company surrendered all corporation tax losses to its subsidiary undertaking British Telecommunications plc.

## 7 Dividends

	2014 £000	2013 £000
Interim dividend of £20,000 per share (2013: £20,000 per share)	<u>1,000,000</u>	<u>1,000,000</u>

## 8 Fixed asset investments

	Subsidiary Undertakings Shares £000
<b>Cost and net book value</b>	
At 1 April 2013 and 31 March 2014	<u>18,553,807</u>

Brief details of the principal operating subsidiary were as follows:

Name	Activity	Percentage of allotted capital owned	Country of incorporation
British Telecommunications plc	Provider of telecommunications services	100%	England & Wales

In the opinion of the directors, the carrying value of the investment is supported by its underlying assets.

## Notes to the financial statements (continued)

## 9 Debtors

	2014 £000	2013 £000
<b>Amounts falling due within one year:</b>		
Corporation tax receivable	40,416	54,492
Amounts owed by group undertakings	-	4
<b>Total debtors falling due within one year</b>	<b>40,416</b>	<b>54,496</b>

## 10 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Amounts owed to group undertakings	13,556,936	12,713,065
Accruals	10	10
	<b>13,556,946</b>	<b>12,713,075</b>

Included in amounts owed to group undertakings are:

- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from British Telecommunications plc of £11,989,163,000 (2013: £1,979,469,000). The loan is repayable within 12 months.
- Interest bearing (3 month GBP LIBOR less 10 basis points applicable deposit margin) loan from Bruning Limited of £nil (2013: £303,194,000). The loan is repayable within 12 months.
- An interest bearing (3 month GBP LIBOR less 10 basis points applicable deposit margin) loan from BT Investment Capital LP of £nil (2013: £44,669,000). The loan is repayable within 12 months.
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from BT Investment Capital LP of £nil (2013: £8,900,000,000). The loan is repayable within 12 months.
- Interest bearing (3 month USD LIBOR plus 50 basis points applicable borrowing margin) loan from BT United States L.L.C. of £21,154,000 (2013: £23,226,000). The loan is repayable within 12 months.
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from Infonet Services Corporation of £18,612,000 (2013: £20,435,000). The loan was repayable within 12 months.
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from BT Luxembourg Investments Holdings Sarl of £25,000,000 (2013: £25,000,000). The loan is repayable within 12 months.
- Interest bearing (3 month GBP LIBOR plus 50 basis points applicable borrowing margin) loan from BT Luxembourg Investment Holdings S.a.r.l of £758,700,000 (2013: £758,700,000). The loan is repayable within 12 months.

## Notes to the financial statements (continued)

**11 Creditors: amounts falling due after more than one year**

	2014 £000	2013 £000
Amounts owed to group undertakings	<u>4,794,116</u>	<u>5,816,762</u>

Included in amounts owed to group undertakings is an interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £660,663,000 (2013: £660,663,000) held by BT (Jersey) Jutland Limited.

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £38,000 (2013: £38,000) held by Tudor Minstrel.

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £4,090,588,000 (2013: £4,090,588,000) held by Postgate Holding Company.

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £nil (2013: £1,022,647,000) held by BT Forty Six.

Included in amounts owed to group undertakings are interest bearing (3 month GBP LIBOR plus 50 basis points) loan notes of £42,827,000 (2013: £42,827,000) held by Tudor Minstrel as general partner on behalf of BT (Netherlands) Shank C.V.

All of the above mentioned loan notes are repayable on 2 February 2015 or upon 2 days' prior notice from either the note holder or the Company.

**12 Called up share capital**

	2014 £000	2013 £000
Allotted, called up and fully paid: 50,000 (2013: 50,000) ordinary shares of £1 each	<u>50</u>	<u>50</u>

**13 Reserves**

	Share premium account £000	Profit and Loss account £000	Total £000
Balance at 1 April 2013	3,427	74,989	78,416
Profit for the financial year	-	1,164,695	1,164,695
Dividends	-	(1,000,000)	(1,000,000)
Balance at 31 March 2014	<u>3,427</u>	<u>239,684</u>	<u>243,111</u>



**Notes to the financial statements (continued)****14 Reconciliation of movements in shareholders' funds**

	2014 £000	2013 £000
Profit for the financial year	1,164,695	1,227,441
Dividends	<u>(1,000,000)</u>	<u>(1,000,000)</u>
Net addition in shareholders' funds	164,695	227,441
Opening shareholders' funds/(deficit)	<u>78,466</u>	<u>(148,975)</u>
Closing shareholders' funds	<u><u>243,161</u></u>	<u><u>78,466</u></u>

**15 Contingent liabilities**

As at 31 March 2014 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.

**16 Controlling entities**

The Company is a wholly-owned subsidiary of BT Group plc, which is its immediate and ultimate controlling entity.

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 control during the year ended 31 March 2014. Copies of the financial statements of BT Group plc may be obtained from The Head of Corporate Governance, BT Group plc, 81 Newgate Street, London EC1A 7AJ.