

**BT Lease Holdings Limited**

**Directors' Report and Financial Statements  
For the year ended  
31 March 2016**

**Registered number: 4941979**



## **Directors' report for the year ended 31 March 2016**

The directors present their annual report on the affairs of BT Lease Holdings Limited (the "Company"), together with the financial statements and auditor's report for the year ended 31 March 2016. The registered number of the Company is 4941979.

The directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

### **Review of activities and future developments**

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

### **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 level. They are discussed on pages 47-56 of the group's 2016 of the annual report, 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.

### **First-time adoption of FRS 101**

For all periods up to and including the year ended 31 March 2015, the Company prepared its separate financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP). The Company's annual financial statements for the year ended 31 March 2016 are the first that the Company has prepared in accordance with FRS 101 "Reduced Disclosure Framework" which involves the application of International Financial Reporting Standards (IFRS) with a reduced level of disclosure. The standard is effective for periods beginning on or after 1 January 2015.

The Company meets the definition of a qualifying subsidiary under FRS 100. Accordingly, in the year ended 31 March 2016 the Company has undergone transition from reporting under previous UK GAAP to FRS 101 'Reduced Disclosure Framework'. As required by FRS 101, these financial statements include comparative FRS101 financial information for the year ended 31

**Directors' report for the year ended 31 March 2016 (continued)**

March 2015. FRS 101 incorporates, with limited amendments, International Financial Reporting Standards (IFRS).

**Results and dividends**

The profit on ordinary activities before taxation was £7,846,574 (2015: loss of £54,574). The tax credit on the profit on ordinary activities was £30,685 (2015: credit of £11,461) which left a profit for the financial year of £7,877,259 (2015: loss of £43,113).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2016 (2015: £7,500,000).

**Directors**

The directors of the Company who were in office during the year and up to the date of signing the financial statements were as follows:

M P Genikis  
A D B Machin

**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 BT Lease Holdings Limited, 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.

**Statement of directors' responsibilities for preparing the financial statements**

The directors are responsible for preparing 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 the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

**Directors' report for the year ended 31 March 2016 (continued)**

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, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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.

**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.

**Independent auditors**

PricewaterhouseCoopers LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

The directors' report on pages 1 to 3 was approved by the Board of directors on 7 September 2016 and was signed by order of the behalf by

By order of the Board



Authorised signatory  
for and on behalf of Newgate Street Secretaries Limited  
Company Secretary

3 October 2016

## **Independent auditors' report to the members of BT Lease Holdings Limited**

### **Report on the financial statements**

#### **Our opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2016;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity 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 the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

#### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

**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.

**Entitlement to exemptions**

Under the Companies Act 2006 we are required to report to you if, in our opinion, the directors were not entitled to: prepare financial statements in accordance with the small companies regime; and take advantage of the small companies exemption from preparing a strategic report. 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 Directors' Responsibilities Statement set out on page 2-3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

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

**What an audit of financial statements involves**

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

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

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

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the 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.

*Julie Watson*

Julie Watson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Aberdeen

4 October 2016

**Profit and loss account for the year ended 31 March 2016**

	Note	2016 £	2015 £
Administrative expense		(6,721)	(3,927)
<b>Operating loss</b>	3	(6,721)	(3,927)
Income from fixed asset investments	4	8,000,000	-
<b>Profit /(loss) on ordinary activities before interest and taxation</b>		7,993,279	(3,927)
Interest payable and similar charges	5	(207,026)	(115,399)
Interest receivable and similar income	6	60,321	64,752
<b>Profit/(loss) on ordinary activities before taxation</b>		7,846,574	(54,574)
Tax credit on profit/(loss) on ordinary activities	9	30,685	11,461
<b>Profit/(loss) for the financial year</b>		<u>7,877,259</u>	<u>(43,113)</u>

All results derive from continuing operations.

There have been no other comprehensive income during either 2016 or 2015 other than as disclosed in the profit and loss account and therefore no separate statement of total comprehensive income has been presented.



**Balance sheet as at 31 March 2016**

	Note	2016 £	2015 £
<b>Fixed assets</b>			
Investments	11	<u>514,583,687</u>	<u>514,583,687</u>
<b>Current assets</b>			
Debtors	12	2,992,467	2,912,923
<b>Creditors: amounts falling due within one year</b>	13	<u>(2,941,246)</u>	<u>(10,738,961)</u>
<b>Net current assets / (liabilities)</b>		51,221	(7,826,038)
<b>Total assets less current liabilities</b>		<u>514,634,908</u>	<u>506,757,649</u>
<b>Net assets</b>		<u>514,634,908</u>	<u>506,757,649</u>
<b>Equity</b>			
Called up share capital	14	17,000,000	17,000,000
Share premium account		489,000,000	489,000,000
Retained earnings		<u>8,634,908</u>	<u>757,649</u>
<b>Total equity</b>		<u>514,634,908</u>	<u>506,757,649</u>

The financial statements on pages 7 to 17 were approved and authorised for issue by the board of directors on 7 September 2016 and were signed on its behalf by Mark Genikis



Mark Genikis  
Director

## Statement of changes in equity for the year ended 31 March 2016

	Called up share capital	Share premium account	Retained earnings	Total equity
	£	£	£	£
<b>Balance as at 1 April 2014</b>	17,000,000	489,000,000	8,300,762	514,300,762
Loss and total comprehensive expense for the financial year	-	-	(43,113)	(43,113)
Dividend paid			(7,500,000)	(7,500,000)
<b>Balance as at 31 March 2015</b>	17,000,000	489,000,000	757,649	506,757,649
Profit and total comprehensive income for the financial year	-	-	7,877,259	7,877,259
<b>Balance as at 31 March 2016</b>	17,000,000	489,000,000	8,634,908	514,634,908

**Notes to the financial statements****1 General information**

BT Lease Holdings Limited acts as an investment holding company within the BT Group plc group of companies.

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

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

The financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101), which involves the application of International Financial Reporting Standards (IFRS) with a reduced level of disclosure. For all periods up to and including the year ended 31 March 2015, the Company prepared its separate financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

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. There are no areas involving a higher degree of complexity, or areas where assumption and estimates are significant to the financial statements.

The Company meets the definition of a qualifying subsidiary under FRS 100. Accordingly, in the year ended 31 March 2016 the Company has undergone transition from reporting under previous UK GAAP to FRS 101 'Reduced Disclosure Framework'. As required by FRS 101, these financial statements include comparative FRS 101 financial information for the year ended 31 March 2015.

**Exemptions**

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard. 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.
- The requirements of paragraphs 17 of IAS 24 Related Party Disclosures.

**Notes to the financial statements (continued)**

- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 6 and 21 of IFRS 1 'First-time Adoption of International Financial Reporting Standards' to present an opening statement of financial position at the date of transition.
- 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).

The Company intends to continue to take advantage of these exemptions in future years.

Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

**Transition to FRS 101**

The accounting policies set out on page 12 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information for the year ended 31 March 2015.

The transition from UK GAAP to FRS 101 required no adjustments to amounts previously reported in the financial statements and no reconciliation of equity has been presented.

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

The following standards have been issued but are not yet effective. The impact of these on the financial statements are being considered by the Company.

IFRS 15 'Revenue from Contracts with Customers'  
IFRS 9 'Financial instruments'  
IFRS 16 'Leases'  
Presentation of specific items

**Notes to the financial statements (continued)****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.

**Investments**

Investments are carried at cost less provision for impairment. Investments are tested for impairment by the directors 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.

**Going concern**

The directors have satisfied themselves that the Company will continue to have financial support provided by British Telecommunications plc in order to meet its requirements for at least the next year, and therefore believe that preparing the financial statements on the going concern basis is appropriate.

**Dividend distribution**

Dividend distributions are recognised as a liability in the year in which the dividends are approved by the company's shareholders. Interim dividends are recognised when they are paid and final when authorised in general meetings by shareholders.

**Income from fixed asset investments**

Income from fixed asset investments represents dividend income from group companies. This is recognised when the right to receive payment is established.

**Current and deferred income tax**

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised using the liability method, in respect of temporary differences between the carrying amount of the company's assets and liabilities and their tax base. A deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

**Debtors**

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

**Notes to the financial statements (continued)****Accounting policies**

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

**Creditors**

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

**Interest Income**

Interest income from inter-company receivables is based on the carrying amount and effective rate of interest for the instrument.

**Interest Expense**

Interest expense from inter-company payables is based on the carrying amount and effective rate of interest for the instrument.

## Notes to the financial statements (continued)

**3 Operating loss**

Operating loss is stated after charging:

	2016 £	2015 £
Auditors' remuneration for statutory audit	<u>6,721</u>	<u>3,927</u>

**4 Income from fixed asset investments**

	2016 £	2015 £
Income from shares in group undertakings	<u>8,000,000</u>	<u>-</u>

**5 Interest payable and similar charges**

	2016 £	2015 £
Interest payable to group undertakings	<u>(207,026)</u>	<u>(115,399)</u>

**6 Interest receivable and similar income**

	2016 £	2015 £
Interest receivable from group undertakings	<u>60,321</u>	<u>64,752</u>

**7 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 Plc as a whole. No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2016 (2015: £nil).

**8 Employee information**

The average monthly number of persons employed by the Company during the year was nil (2015: nil).

**9 Tax on profit/ (loss) on ordinary activities**

	2016 £	2015 £
<b>Current tax:</b>		
UK Corporation tax at 20% (2015: 21 %)	<u>(30,685)</u>	<u>(11,461)</u>
Tax credit on profit/(loss) on ordinary activities	<u>(30,685)</u>	<u>(11,461)</u>

**Notes to the financial statements (continued)****9 Tax on profit / (loss) on ordinary activities (continued)**

The tax assessed for the year is less than (2015: equal to) the standard rate of corporation tax in the UK of 20% (2015: 21%), as shown below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before taxation	<u>7,846,574</u>	<u>(54,574)</u>
Profit/ (loss) on ordinary activities multiplied by standard rate of corporation tax at 20% (2015: 21%)	1,569,315	(11,461)
Effects of:		
Dividend income not taxable	<u>(1,600,000)</u>	<u>-</u>
Total tax credit for the year	<u>(30,685)</u>	<u>(11,461)</u>

**Factors affecting current and future tax charges**

The rate of UK corporation tax will change from 20% to 19% on 1 April 2017 and to 18% on 1 April 2020. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at 31 March 2016 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

The UK Finance Bill 2016 includes a reduction of the UK corporation tax rate to 17% on 1 April 2020. This will replace the 18% UK corporation tax rate that is currently legislated to take effect. This will have an effect on future tax charges of the company. Relevant deferred tax balances will be re-measured to 17% once the UK Finance Bill 2016 is substantively enacted.

**10 Dividend**

	2016	2015
<b>Equity – ordinary</b>		
Interim dividend of per share (2015: £0.4412 per share)	<u>-</u>	<u>7,500,000</u>

**11 Investments**

	Total £
Cost and net book value at 31 March 2016 and 31 March 2015	<u>514,583,687</u>

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



## Notes to the financial statements (continued)

Brief details of the operating subsidiary were as follows:

Name	Activity	Percentage of capital owned	Country of registration or incorporation (and operations)
BT Leasing Limited	Leasing company	100%	England & Wales

## 12 Debtors

	2016 £	2015 £
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	2,961,782	2,901,462
Group relief receivable	30,685	11,461
	<u>2,992,467</u>	<u>2,912,923</u>

Included in amounts owed by group undertakings is a loan to BT Leasing Limited £2,923,755 (2015: £2,861,008) including accrued interest which is repayable on demand. Interest is charged at 6 month GBP LIBOR plus 42.5 basis points.

## 13 Creditors: amounts falling due within one year

	2016 £	2015 £
Amounts owed to group undertakings	2,934,525	10,735,034
Accruals	<u>6,721</u>	<u>3,927</u>
	<u>2,941,246</u>	<u>10,738,961</u>

Included in amounts owed to group undertakings is a loan from British Telecommunications plc of £2,778,673 (2015: £10,615,043) which is repayable on demand. The loan attracted interest at 12 month GBP LIBOR plus 102.5 basis points.

Included in amounts owed to group undertakings is a loan from BT Leasing Limited of £31,541 (2015: £31,541) which is repayable on demand. The loan attracted interest at 12 month GBP LIBOR plus 102.5 basis points.

## 14 Called up share capital

	2016	2015
Allotted, called up and fully paid:		
17,000,000 (2015: 17,000,000) ordinary shares of £1 each	<u>17,000,000</u>	<u>17,000,000</u>

**Notes to the financial statements (continued)****15 Contingent liabilities**

As at 31 March 2016 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 entity**

The Company is a wholly-owned subsidiary of BT Holdings Limited, 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 from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated Undertakings and those deemed under BT Group control during the year ended 31 March 2016. 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.