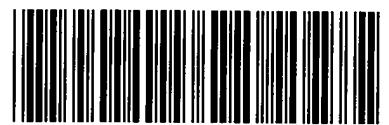


**Registered number: 4941979**

**BT Lease Holdings Limited**

**Directors' Report and Financial Statements  
For the year ended  
31 March 2015**

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# **BT Lease Holdings Limited**

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## **Directors and advisers**

### **Directors**

MP Genikis  
ADB Machin

### **Company Secretary**

Newgate Street Secretaries Limited

### **Registered Office**

81 Newgate Street  
London  
EC1A 7AJ

### **Independent Auditors**

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

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

The directors submit their report and the audited financial statements of BT Lease Holdings Limited for the year ended 31 March 2015. 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 directors of BT Group plc (the 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 41 to 52 of the 2015 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.

**Results and dividends**

The loss on ordinary activities before taxation was £54,574 (2014: profit of £8,182,516). The tax credit on the loss on ordinary activities was £11,461 (2014: charge of £41,979) which left a loss for the financial year of £43,113 (2014: profit of £8,140,537).

The directors declared an interim dividend of £7,500,000 (2014: £18,000,000) that was paid on 16 December 2014. The directors do not propose to pay a final dividend (2014: £nil).

**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' report for the year ended 31 March 2015 (continued)****Statement of directors' responsibilities for preparing the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

**Directors' report for the year ended 31 March 2015 (continued)**

**Disclosure of information to the auditors**

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

The directors' report on pages 2 to 4 were approved by the Board of directors on 2 November 2015 and were signed on its behalf by Alberto Buffa.

*Alberto Buffa*

Authorised Signatory  
for and on behalf of Newgate Street Secretaries Limited  
Company Secretary  
2 November 2015

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

**Report on the financial statements**

**Our opinion**

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

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

**What we have audited**

The financial statements comprise:

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

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

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

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

In our opinion, the information given in the 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

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

- 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 Statement of directors' responsibilities set out on page 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.

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.

## **BT Lease Holdings Limited**

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

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



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

4 November 2015

**BT Lease Holdings Limited**

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**Profit and loss account for the year ended 31 March 2015**

	Note	2015 £	2014 £
Administrative Expense		<u>(3,927)</u>	<u>(3,931)</u>
<b>Operating loss</b>	1	(3,927)	(3,931)
Income from fixed asset investments	2	<u>-</u>	<u>8,000,000</u>
<b>(Loss)/profit on ordinary activities before interest and taxation</b>		(3,927)	7,996,069
Interest payable and similar charges	3	(115,399)	-
Interest receivable and similar income	4	<u>64,752</u>	<u>186,447</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		(54,574)	8,182,516
Tax credit/(charge) on (Loss)/profit on ordinary activities	7	<u>11,461</u>	<u>(41,979)</u>
<b>(Loss)/profit for the financial year</b>	13	<u><u>(43,113)</u></u>	<u><u>8,140,537</u></u>

All results derive from continuing operations.

There have been no recognised gains or losses during either 2015 or 2014 other than as disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and 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 2015

	Note	2015 £	2014 £
<b>Fixed assets</b>			
Investments	9	<u>514,583,687</u>	<u>514,583,687</u>
<b>Current assets</b>			
Debtors	10	2,912,923	2,895,364
<b>Creditors: amounts falling due within one year</b>	11	<u>(10,738,961)</u>	<u>(3,178,289)</u>
<b>Net current (liabilities)/ assets</b>		(7,826,038)	(282,925)
<b>Total assets less current liabilities</b>		<u>506,757,649</u>	<u>514,300,762</u>
<b>Net assets</b>		<u>506,757,649</u>	<u>514,300,762</u>
<b>Capital and reserves</b>			
Called up share capital	12	17,000,000	17,000,000
Share premium account	13	489,000,000	489,000,000
Profit and loss account	13	<u>757,649</u>	<u>8,300,762</u>
<b>Total shareholders' funds</b>	14	<u>506,757,649</u>	<u>514,300,762</u>

The financial statements on pages 8 to 15 were approved and authorised for issue by the board of directors on and were signed on its behalf by Mark Genikis.



**MP Genikis**  
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 Lease Holdings 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 investment impairment, and taxes.

### **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.

### **Dividend distribution**

Interim and final dividends are recognised when they are paid.

### **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.

### **Taxation**

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

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

**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 and related party disclosures**

The Company is a wholly-owned subsidiary of BT Group plc. The cash flows of the Company are included in the consolidated cash flow statement of BT Group plc, whose annual report is publicly available. Consequently, the Company is exempt under the terms of FRS 1 “Cash Flow Statements” from publishing a cash flow statement.

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

**Interest Income**

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

**Accounting standards, interpretations and amendments not yet effective**

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

As required by FRS 101, the company notified its shareholders of the proposed change.

## Notes to the financial statements

**1 Operating loss**

Operating loss is stated after charging:

	2015 £	2014 £
Auditors' remuneration for statutory audit	<u>3,927</u>	<u>3,831</u>

**2 Income from fixed asset investments**

	2015 £	2014 £
Income from shares in group undertakings	<u>-</u>	<u>8,000,000</u>

**3 Interest payable and similar charges**

	2015 £	2014 £
Interest payable to group undertakings	<u>(115,399)</u>	<u>-</u>

**4 Interest receivable and similar income**

	2015 £	2014 £
Interest receivable from group undertakings	<u>64,752</u>	<u>186,447</u>

**5 Directors' emoluments**

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

**6 Employee information**

The average monthly number of persons employed by the Company during the year was nil (2014: nil).

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

	2015 £	2014 £
<b>Current tax:</b>		
UK Corporation tax at 21% (2014: 23 %)	<u>(11,461)</u>	<u>41,979</u>
Tax (credit)/charge on (loss)/profit on ordinary activities	<u>(11,461)</u>	<u>41,979</u>

The tax assessed for the year is equal to (2014: less than) the standard rate of corporation tax in the UK of 21% (2014: 23%), as shown below:

## Notes to the financial statements (continued)

## 7 Tax on (loss)/ profit on ordinary activities (continued)

	2015 £	2014 £
(Loss)/profit on ordinary activities before taxation	<u>(54,574)</u>	<u>8,182,516</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax at 21% (2014: 23%)	(11,461)	1,881,979
Effects of:		
Dividend income	<u>-</u>	<u>(1,840,000)</u>
Current tax (credit)/charge for the year	<u>(11,461)</u>	<u>41,979</u>

## 8 Dividend

	2015	2014
<b>Equity – ordinary</b>		
Interim dividend of £0.4412 per share (2014: £1.0588 per share)	<u>7,500,000</u>	<u>18,000,000</u>

## 9 Fixed asset investments

	Total £
Cost and net book value at 31 March 2015 and 31 March 2014	<u>514,583,687</u>

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

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

## 10 Debtors

	2015 £	2014 £
<b>Amounts falling due within one year:</b>		
Amounts owed by group undertakings	2,901,462	2,895,364
Group relief receivable	11,461	-
	<u>2,912,923</u>	<u>2,895,364</u>

## Notes to the financial statements (continued)

## 10 Debtors (continued)

Included in amounts owed by group undertakings is a loan to BT Leasing Limited £2,861,008 (2014: £2,795,796) including accrued interest which is repayable within 12 months. Interest is charged at 6 month GBP LIBOR plus 42.5 basis points.

## 11 Creditors: amounts falling due within one year

	2015	2014
	£	£
Amounts owed to group undertakings	10,735,034	3,132,479
Corporation tax payable	-	41,979
Accruals	3,927	3,831
	<u>10,738,961</u>	<u>3,178,289</u>

Included in amounts owed to group undertakings is a loan from British Telecommunications plc of £10,615,043 (2014: £3,100,938) which is repayable within 12 months. 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 of £31,541 (2014: £31,541) which is repayable within 12 months. The loan attracted interest at 12 month GBP LIBOR plus 102.5 basis points.

## 12 Called up share capital

	2015	2014
Allotted, called up and fully paid:		
17,000,000 (2014: 17,000,000) ordinary shares of £1 each	<u>17,000,000</u>	<u>17,000,000</u>

## 13 Reserves

	Share premium account	Profit and loss account
	£	£
Balance at 1 April 2014	489,000,000	8,300,762
Loss for the financial year	-	(43,113)
Less : Dividend paid	-	(7,500,000)
	<u>489,000,000</u>	<u>757,649</u>
Balance at 31 March 2015		

## 14 Reconciliation of movements in shareholders' funds

	2015	2014
	£	£
(Loss)/profit for the financial year	(43,113)	8,140,537
Less : Dividend paid	(7,500,000)	(18,000,000)
Net (reduction) to shareholders' funds	<u>(7,543,113)</u>	<u>(9,859,463)</u>
Opening shareholders' funds	<u>514,300,762</u>	<u>524,160,225</u>
Closing shareholders' funds	<u>506,757,649</u>	<u>514,300,762</u>

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

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

**16 Controlling entities**

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

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

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