Financial results

Results for the full year to 31 March 2022
BT Group plc
12 May 2022

Philip Jansen, Chief Executive, commenting on the results, said

"BT Group has again delivered a strong operational performance thanks to the efforts of our colleagues across the business. Openreach continues to build like fury, having now passed 7.2m premises with 1.8m connections; a strong and growing early take-up rate of 25%. Meanwhile, our 5G network now covers more than 50% of the UK population. We have the best networks in the UK and we're continuing to invest at an unprecedented pace to provide unrivalled connectivity for our customers. At the same time we're seeing record customer satisfaction scores across the business.

"We have finalised the sports joint venture with Warner Bros. Discovery to improve our content offering to customers, aligning our business with a new global content powerhouse. Separately, we have strengthened our strategic partnership and key customer relationship with Sky, having now extended our reciprocal channel supply deal into the next decade and agreed a MoU to extend our co-provisioning agreement.

"Our modernisation continues at pace and we are extending our cost savings target of £2bn by end FY24 to £2.5bn by end FY25. We delivered EBITDA growth of 2% this year as strong savings from our modernisation programme more than offset weaker revenues from our enterprise businesses due to well-known market challenges.

"While the economic outlook remains challenging, we're continuing to invest for the future and I am confident that BT Group is on the right track. As a result, we are today reconfirming our FY23 outlook for revenue growth, EBITDA of at least £7.9bn and also the reinstatement of our full year FY22 dividend, as promised, at 7.7 pence per share."

BT Group plc (BT.L) today announced its results for the full year to 31 March 2022.

Strong progress in strategic priorities:

- Positive leading indicators: Highest ever BT Group NPS results; low Ofcom complaints; churn near record lows
- BT Group and Warner Bros. Discovery agreed to form a new premium sports joint venture bringing together BT Sport and Eurosport UK
- Agreed with Sky a new longer-term reciprocal channel supply deal beyond 2030
- Openreach signed a MoU on a framework with Sky on FTTP co-provisioning; Sky engineers to complete the majority of their FTTP in-premises provisioning activities on Openreach's FTTP network
- FTTP footprint at 7.2m with annualised Q4 build rate of over 3m premises; take up of 1.8m driven by Equinox
- 5G network now covers over 50% of the UK population; our 5G ready customer base is over 7.2m and EE is once again named as having the best 5G and 4G network by RootMetrics
- Achieved gross annualised cost savings now totalling £1.5bn; increased target to £2.5bn by end FY25, within the previously communicated cost to achieve of £1.3bn

Adjusted EBITDA growth and return of full year dividend:

- Revenue £20.9bn, down 2%, reflecting revenue decline in Enterprise and Global offset by growth in Openreach, with Consumer flat for the year and returning to growth in Q4; adjusted[1] revenue down 2%
- Adjusted[1] EBITDA £7.6bn, up 2%, with revenue decline more than offset by lower costs from our modernisation programmes, tight cost management, and lower indirect commissions
- Reported profit before tax £2.0bn, up 9%, due to increased EBITDA offsetting higher finance expense
- Reported profit after tax £1.3bn, down 13%, due to remeasurement of our deferred tax balance
- Net cash inflow from operating activities £5.9bn; normalised free cash flow[1] £1.4bn, down 5%, due to higher cash capital expenditure, offset by higher EBITDA and lower tax and lease payments
- Capital expenditure £5.3bn, up 25%. Capital expenditure excluding spectrum £4.8bn, up 14% primarily due to continued higher spend on our fibre infrastructure and mobile networks
- IAS 19 gross pensions deficit £1.1bn, (31 March 2021: £5.1bn) due to an increase in real discount rate, deficit contributions paid, changes to demographic assumptions and positive asset returns
- FY22 final dividend declared at 5.39p per share, bringing the full year total, as promised, to 7.70p per share
- Outlook for FY23: adjusted[1] revenue to grow year on year; adjusted[1] EBITDA of at least £7.9bn; capital expenditure excluding spectrum of around £4.8bn; normalised free cash flow of £1.3bn to £1.5bn.

[1] See Glossary on page 3.

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Full year to 31 March	2022	2021	Change
	£m	£m	%
Reported measures			
Revenue	20,850	21,331	(2)
Profit before tax	1,963	1,804	9
Profit after tax	1,274	1,472	(13)
Basic earnings per share	12.9p	14.8p	(13)
Net cash inflow from operating activities	5,910	5,963	(1)
Full year dividend	7.70p	—	N/A
Capital expenditure[1,2]	5,286	4,216	25
Adjusted measures			
Adjusted[1] Revenue	20,845	21,370	(2)
Adjusted[1] EBITDA	7,577	7,415	2
Adjusted[1] basic earnings per share	20.3p	18.9p	7
Normalised free cash flow[1]	1,392	1,459	(5)
Capital expenditure[1] excluding spectrum	4,807	4,216	14
Net debt[1]	18,009	17,802	£207m

Customer-facing unit results for the full year to 31 March 2022

	Adjusted[1] revenue			Adjusted[1] EBITDA			Normalised free cash flow[1]		
Full year to 31 March	**2022 £m**	2021 £m	Change %	**2022 £m**	2021 £m	Change %	**2022 £m**	2021 £m	Change %
Consumer	**9,858**	9,885	—	**2,262**	2,128	6	**917**	714	28
Enterprise	**5,157**	5,449	(5)	**1,636**	1,704	(4)	**791**	1,352	(41)
Global	**3,362**	3,731	(10)	**456**	596	(23)	**131**	187	(30)
Openreach	**5,441**	5,244	4	**3,179**	2,937	8	**448**	486	(8)
Other	**27**	23	17	**44**	50	(12)	**(895)**	(1,280)	30
Intra-group items	**(3,000)**	(2,962)	(1)	**—**	—	—	**—**	—	—
Total	**20,845**	21,370	(2)	**7,577**	7,415	2	**1,392**	1,459	(5)

Fourth quarter to 31 March	**2022 £m**	2021 £m	Change %	**2022 £m**	2021 £m	Change %	**2022 £m**	2021 £m	Change %
Consumer	**2,416**	2,391	1	**557**	518	8			
Enterprise	**1,290**	1,363	(5)	**384**	436	(12)			
Global	**837**	908	(8)	**135**	156	(13)			
Openreach	**1,373**	1,346	2	**811**	726	12			
Other	**7**	5	40	**(18)**	(24)	25			
Intra-group items	**(755)**	(727)	(4)	**—**	—	—			
Total	**5,168**	5,286	(2)	**1,869**	1,812	3	**513**	629	(18)

Performance against FY22 outlook

	FY22 performance	FY22 outlook
Change in adjusted[1] revenue	Down (2)%	Down c.(2)%
Adjusted[1] EBITDA	£7.6bn	£7.5bn-£7.7bn
Capital expenditure[1]	£4.8bn	c.£4.9bn
Normalised free cash flow[1]	£1.4bn	£1.1bn-£1.3bn

[1] See Glossary on page 3.
[2] Includes investment in spectrum of £479m.

Glossary of alternative performance measure

Adjusted	Before specific items. Adjusted results are consistent with the way that financial performance is measured by management and assist in providing an additional analysis of the reported trading results of the Group.
EBITDA	Earnings before interest, tax, depreciation and amortisation.
Adjusted EBITDA	EBITDA before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense.
Free cash flow	Net cash inflow from operating activities after net capital expenditure.
Capital expenditure	Additions to property, plant and equipment and intangible assets.
Normalised free cash flow	Free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid and payment of lease liabilities, before pension deficit payments (including cash tax benefit), payments relating to spectrum, and specific items. For non-tax related items the adjustments are made on a pre-tax basis. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends, share buybacks, acquisitions and disposals, and repayment and raising of debt.
Net debt	Loans and other borrowings and lease liabilities (both current and non-current), less current asset investments and cash and cash equivalents, including items which have been classified as held for sale on the balance sheet. Currency denominated balances within net debt are translated into sterling at swapped rates where hedged. Fair value adjustments and accrued interest applied to reflect the effective interest method are removed.
Specific items	Items that in management's judgement need to be disclosed separately by virtue of their size, nature or incidence. In the current period these relate to retrospective regulatory matters, restructuring charges, divestment-related items, Covid-19 related items, net interest expense on pensions, tax charge on specific items and the impact of the change in tax rate on our deferred tax balances.
BT Group NPS	Group NPS tracks changes in our customers' perceptions of BT. This is a combined measure of 'promoters' minus 'detractors' across our business units. Group NPS measures Net Promoter Score in our retail business and Net Satisfaction in our wholesale business.
5G ready	EE consumer customers receiving or capable of receiving 5G network connection using one or both of a 5G enabled handset and a 5G enabled SIM.

We assess the performance of the Group using a variety of alternative performance measures. Reconciliations from the most directly comparable IFRS measures are in Additional Information on pages 33 to 34.

Overview of the full year and fourth quarter to 31 March 2022

Five clear priorities to drive value

Notwithstanding challenges to the group from inflationary cost pressures, geopolitical uncertainty and an intensely competitive market environment, we nonetheless have a compelling opportunity for growth. We operate in growing markets with increasing value ascribed to reliable, secure connectivity. We have differentiated and competitive assets and the ambition to win in these markets with a focus on five clear priorities:

1. Drive growth in Consumer through our converged propositions and services;
2. Capitalise on Enterprise and Global's unrivalled assets to restore growth;
3. Deliver Openreach growth and strong returns on FTTP;
4. Digitise, automate and reskill to transform our cost base and improve productivity; and
5. Optimise our business portfolio and capital allocation.

Our ambition is to be the world's most trusted connector of people, devices and machines. Our strategy guides us on the journey to meeting that ambition and is based on three pillars: to build the strongest foundations, to create standout customer experiences and to lead the way to a bright, sustainable future.

Our significant progress to date, with continued delivery against these five priorities and supported by our three pillars, will deliver growth in value for all our stakeholders and underpins our progressive dividend policy.

Building the strongest foundations

- Record FTTP build of 750k premises passed in the quarter at an average rate of over 58k premises per week:
  - now almost 30% of way through our 25m premises build, with footprint passing 7.2m premises
  - rural build progressing well with 2.3m premises passed
- FTTP base continues to grow:
  - c.1.8m end customers, a growth of 263k in the quarter accelerated by Equinox with 42 CPs now onboard
  - over 59% of FTTP orders in Q4 were for ultrafast speeds
  - 56% of all FTTP orders in Q4 were from communication providers external to the BT Group
- Following a successful trial, Openreach signed a memorandum of understanding on a framework with Sky on FTTP co-provisioning with Sky engineers completing the majority of their FTTP in-premises provisioning activities on Openreach's FTTP network
- RootMetrics again named EE as the UK's best 4G and 5G networks with 5G in more places than any other network
- EE's 5G network now covers over 50% of the UK population

- Delivered gross annualised cost savings of £1.5bn (of which FY22: £0.7bn) over the past two years:
  - total cost to achieve of £0.8bn (of which FY22: £0.3bn)
  - brought forward our previous gross annualised cost savings target of £2bn to FY24 and increased our FY25 target to £2.5bn, within the previously communicated cost to achieve of £1.3bn
- Significant progress since the next phase of our modernisation was announced in May 2020:
  - simplifying our product portfolio
    - 52% of legacy Global portfolio withdrawn or in withdrawal
    - removal of legacy promotion tiers in Consumer has halved the number of broadband propositions
  - transforming our customer journeys
    - customer journeys for high volume products improved and automated with c.65% now zero-touch
    - c.50% of EE mobile journeys in digital channels automated
    - AI-based solutions rolled out across almost 700 customer queues in Global freeing our agents to spend more time on issues that genuinely matter to our customers
  - moving to a modern, modular IT architecture
    - trained our new customer chatbot Aimee using AI techniques on our integrated platforms
    - our strategic digital architecture will enable us to shut down legacy IT and we expect to have less than 30% of applications being legacy in the next 5 years

- We continue to consider options for our non-core businesses as we simplify our business and sharpen our focus:
  - BT Group and Warner Bros. Discovery agreed to form a new premium sports joint venture, bringing together BT Sport and Eurosport UK
  - sold Diamond IP (a US non-core software business) and our Italian enterprise businesses, largely ending our domestic operations in Italy, following divestments of domestic operations in Latin America, Spain and France last year

Creating standout customer experiences

- We have demonstrated our progress in creating standout customer experiences across all our business segments with all-time high net promoter scores (NPS) achieved across BT Group during Q4:
  - highest ever results for both BT and EE consumer brands
  - Enterprise at all-time high with improvement in year for Corporate and Public Sector, SME and Wholesale
- In the 2022 USwitch Telecoms awards announced in February the BT and EE brands won five of the seven broadband and TV awards as voted by the public
- For the first time, all BT brands generated complaints rates lower than or equal to the industry average across landlines, broadband and mobile, per the latest Ofcom complaints data:
  - EE continue to have the equal lowest proportional volume of complaints for mobile
  - Complaints about the BT brand broadband service reduced by 50% year-on-year
- Openreach delivered strong service levels:
  - best-ever year for on-time repair for copper and fibre services at 86% against 84% in FY21, despite seasonal weather challenges and the impact of Covid-19 on resourcing capacity
  - 12% lower year-on-year total network fault volumes
  - provision of new copper and fibre services with a First Appointment Date within 12 working days 99% of the time, up from 96% in the prior year
  - missed appointments attributable to Openreach occurred just 2% of the time, down from 3% in the prior year
- In January, BT Security was named a leader by IDC MarketScape for its security capabilities, research and investment, and collaborative relationships with customers, vendors, and academia; this positioning follows:
  - BT's investment in cyber risk assessment company Safe Security
  - launch of the transformational Eagle-i platform
- BT successfully broadcast its first live sporting event in 8K HDR to homes, proving it is feasible to get 8k live images to living rooms over Broadband

- Consumer FTTP base now over 1.1m, a growth of 112k in the quarter, our highest ever quarterly increase
- 5G ready base doubled in the year, now at over 7.2m with the continued rollout at pace of EE's 5G network
- The next step of Consumer's transformation will see EE become the flagship brand in the consumer market:
  - EE will retain the same bold aqua and yellow look
  - new brand will build on the success of EE to date and become the focus for multiple services, converged offerings and services beyond connectivity
  - BT to begin focussing increasingly on single product offerings of landline and standalone broadband. Right now, nothing changes for any of our customers
- BT will remain the lead brand in the B2B market, sold by Enterprise and Global, supported by a new brand platform "BT Means Business"

- From September 2020, BT Group introduced a far simpler and transparent pricing policy to create consistency across all its consumer and some SME products and services:
  - A single annual price rise of CPI+3.9% for new and upgrading customers provides simple and transparent pricing for all customers
- Broadband and postpaid mobile churn remaining at or near historical lows
- Broadband ARPC £36.7, down £1 quarter on quarter reflecting competitive intensity, lower promotional activity and seasonality; postpaid mobile ARPC £16.8, down £0.5 quarter on quarter reflecting continued shift to SIM only and lower out of bundle usage
- Our market-leading social tariff 'Home Essentials' offers fibre broadband and call packages to everyone receiving Universal Credit and other legacy benefits:
  - Prices have not increased this year for this tariff
  - We now have around 800,000 customers on 'Home Essentials' and other discounted or subsidised tariffs

- Having listened to our customers' concerns, we took the decision to pause all further Digital Voice switch-overs for Consumer customers who don't want to move to the new technology straight away;
  - the all-IP programme and switching off the public switched telephone network (PSTN) remain necessary and unavoidable steps in our overall upgrade to next generation networks
  - we will re-start mass migrations once we have key solutions in market and we will use the pause to get better, more resilient back-up options in place for customers who need them

Leading the way to a bright, sustainable future

- In December, we launched the BT Group Manifesto:
  - we'll use responsible, inclusive and sustainable technology to grow faster
  - our commitments will realise growth in our connectivity solutions and new tech-driven growth engines
  - we'll use our scale and technology to grow and catalyse the changes desperately needed in the world
  - includes measurable commitments to amplify our positive impact for people and the planet – combined with a clear commercial agenda

- We brought forward our carbon emissions net zero target from 2045 to 2030 for our own operational emissions and 2040 for our supply chain and customer emissions:
  - on track to fulfil our pledge to cut the emissions intensity of our business by 87% by the end of March 2031
  - targets are in line with the most ambitious aims of the COP21 Paris Agreement
  - pressing ahead with plans to retire energy-intensive legacy networks
  - residual emissions will be covered by high quality carbon offsets
- This year, we've added 650 more electric vehicles to our fleet, now over 1,000 in total:
  - we're aiming to convert the majority of our 33,000 commercial fleet to electric or zero carbon emissions vehicles by 2030
- During the year we helped 4.6m people to improve their digital skills:

- we've now reached a total of 14.7m people with digital skills support, more than half way towards our target of helping 25m people by March 2026

Financial outlook

We face a challenging external environment. However, we currently have index linked pricing across around two-thirds of our revenue before eliminations, primarily in Consumer and Openreach, which will help to mitigate the impact of inflationary cost pressures in labour, energy and the supply chain in FY23.

We continue to expect to deliver growth in revenue and at least £7.9bn adjusted[1] EBITDA in FY23, with stronger Consumer and Openreach financials offsetting challenges in our enterprise businesses.

As we have said previously, capex in FY23 will remain at its peak level of around £4.8bn before spectrum costs.

Normalised free cash flow[1] is expected to be £1.3bn to £1.5bn.

	FY23 outlook
Change in adjusted[1] revenue	**Growth**
Adjusted[1] EBITDA	**At least £7.9bn**
Capital expenditure[1]	**Around £4.8bn**
Normalised free cash flow[1]	**£1.3bn-£1.5bn**

[1] See Glossary on page 3.

Following completion of our sports joint venture with Warner Bros. Discovery, expected by the end of 2022, we expect Group revenues to reduce by £0.5bn-£0.6bn per annum relative to FY22. We do not expect a material impact on our FY23 adjusted[1] EBITDA outlook. We will confirm the full impact on all our outlook metrics following completion.

Excluding the impact of the above joint venture, on a like-for-like basis we expect sustainable revenue and EBITDA growth beyond FY23.

As mentioned previously we have now extended our gross annualised cost savings target to £2.5bn by FY25, within the expected cost to achieve of £1.3bn.

We remain confident in the delivery of long-term normalised free cash flow[1] growth. By the end of the decade we expect an expansion of at least £1.5bn in normalised free cash flow[1] compared to FY22, solely from lower capex and operating costs as we move towards an all-fibre, all-IP network. In addition, the move to FTTP will enable us to recover copper from our legacy network. Initial estimates indicate that around 200k tonnes of copper could be recovered from our network through the 2030s. We are currently undertaking trials to better understand the costs associated with recovering this valuable asset. These benefits are structural upsides as the business changes, on top of the free cash flow arising from organic growth in revenue and the benefit of further transformation efficiencies, including the additional cost savings announced today, net of tax.

Dividend

We are today declaring a final dividend for FY22 of 5.39 pence per share (pps), bringing the full year FY22 total, as promised, to 7.70pps, and our intention is to continue with a progressive dividend policy. Our progressive dividend policy is to maintain or grow the dividend each year whilst taking into consideration a number of factors including underlying medium-term earnings expectations and levels of business reinvestment.

The Board expects to continue with this policy for future years, and to declare two dividends per year with the interim dividend being fixed at 30% of the prior year's full year dividend.

Principal risks and uncertainties

A summary of the Group's principal risks and uncertainties is provided in note 10.

Key operational metrics from our customer-facing units for the fourth quarter to 31 March 2022

Key operational metrics used by our customer-facing units are as follows:

Fourth quarter to 31 March	2022	2021
Consumer		
Average revenue per customer (ARPC) (£ per month)		
- Fixed	**34.6**	35.0
- Broadband	**36.7**	37.0
- Postpaid mobile	**16.8**	18.1
- Prepaid mobile	**7.5**	7.7
Monthly churn		
- Fixed	**1.1 %**	1.1 %
- Broadband	**1.0 %**	1.0 %
- Postpaid mobile	**1.0 %**	1.0 %
Best network ('000)		
- FTTP connections	**1,165**	753
- 5G ready	**7,228**	3,261
Convergence		
- Revenue generating units per address	**2.41**	2.41
- Fixed & mobile convergence	**21.7 %**	21.5 %
Enterprise		
Number of products/customers ('000)		
- Voice lines	**1,370**	1,554
- VoIP seats	**1,067**	950
- Retail broadband lines	**728**	729
- Wholesale broadband lines	**620**	671
- WAN circuits	**81**	87
- Ethernet circuits	**53**	51
- Mobile customers	**3,937**	3,886
- MVNO customers	**2,706**	4,114
Call minutes (millions)		
- Retail	**579**	714
- Wholesale	**433**	623
Fibre enabled share of broadband base		
- Superfast	**58.6 %**	52.1 %
- Ultrafast	**3.7 %**	1.5 %
Rolling 12-month retail order intake (£m)	**2,651**	2,585
Rolling 12-month wholesale order intake (£m)	**986**	858
Global		
Rolling 12-month order intake (£m)	**3612**	3,666
Openreach		
Network deployment ('000 premises passed)		
Superfast inc. ultrafast	**29,045**	28,731
- Ultrafast FTTP	**7,194**	4,610

Group results for the full year to 31 March 2022

Income statement

Reported revenue was £20,850m, down 2%, primarily due to declines in legacy products, tougher trading in our Enterprise and Global divisions, handset to SIM migration in Consumer, the impact of prior year divestments and foreign exchange. This was partially offset by higher rental bases in fibre-enabled products, relationship-driven equipment sales in Global and stronger recurring BT Sport revenue as a result of the prior year Covid-19 induced cancellations. Revenue has grown in Openreach, was flat in Consumer, but declined in Enterprise and Global as a result of challenging market conditions.

Reported operating costs were £17,965m, down 4%, primarily due to savings from our modernisation programmes, tight cost control and lower indirect commissions.

Adjusted[1] EBITDA of £7,577m was up 2% with the reduced operating costs more than offsetting revenue decline. Reported profit before tax of £1,963m was up 9% despite increased finance expense from pension deficit movements.

Specific items (Note 5 to the condensed consolidated financial statements)

Specific items resulted in a net charge after tax of £728m (FY21: £403m). The main components were a net tax charge on remeasurement of deferred tax of £420m (FY21: £nil) and restructuring charges of £347m (FY21: £421m). Refer to note 5 for more details.

Tax

The effective tax rate on reported profit was 35.1% (FY21: 18.4%), which mainly reflects the remeasurement of our deferred tax balances following the enactment of the new UK corporation tax rate of 25% from April 2023. The corresponding adjustment comprises a net tax charge of £420m in the income statement and a non-recurring tax credit of £298m in the statement of comprehensive income.

The effective tax rate on adjusted[1] profit was 14.8%. This is lower than last year (FY21: 18.6%) as we expect a large proportion of our capital spend on fibre roll-out to be eligible for the Government's super-deduction regime, which allows for enhanced tax relief on qualifying capital expenditure. The super-deduction regime is available for FY22 and FY23, driving a projected UK tax loss for these periods, with around £5bn of tax losses expected to be carried forward from FY23. A net UK deferred tax charge has been recorded, reflecting the deferred tax liability arising on qualifying capital expenditure, offset in part by a deferred tax asset on the current period tax loss. This rate is broadly in line with the previous quarter (Q3 FY22: 15.3%).

Capital expenditure

Reported capital expenditure was £5,286m (FY21: £4,216m), with the increase primarily due to investment in spectrum of £479m, and increased FTTP and mobile network investment. Capital expenditure excluding spectrum was £4,807m (FY21: £4,216m).

Net cash inflow from operating activities and normalised free cash flow

Net cash inflow from operating activities was £5,910m, down 1%, mainly as a result of working capital movements. Normalised free cash flow[1] was £1,392m, down 5% due to higher cash capex partially offset by higher EBITDA and lower tax and lease payments. A reconciliation of these measures to our free cash flow is shown in Additional Information on page 33.

The net cash cost of specific items adjusted from normalised free cash flow was £610m (FY21: £390m), primarily relating to restructuring payments of £370m (FY21: £428m) and the Dixons Carphone settlement (refer to note 5 for more details). In addition, net cash proceeds from divestments were £76m (FY21: £164m).

Net debt and liquidity

Net financial debt (which excludes lease liabilities) at 31 March 2022 was £12.2bn, £0.6bn higher than at 31 March 2021, with net capital expenditure (after spectrum refund), pension contributions, net interest payments, payments of lease liabilities and share purchases, more than offsetting net cash inflow from operating activities.

Net debt[1] (which includes lease liabilities) was £18.0bn at 31 March 2022, £0.2bn higher than at 31 March 2021. The difference to the movement in net financial debt reflects the lease movements.

At 31 March 2022 the Group held cash and current investment balances of £3.5bn. The current portion of loans and other borrowings is £0.9bn; we have no term debt maturities in FY23. Our £2.1bn revolving credit facility, which matures in March 2027, remains undrawn at 31 March 2022.

During the year, and following our recommitment to our credit rating target of BBB+ and minimum rating of BBB, all of the major agencies confirmed their ratings at BBB or equivalent.

Pensions (Note 6 to the condensed consolidated financial statements)

The IAS 19 gross deficit has decreased from £5.1bn at 31 March 2021 to £1.1bn at 31 March 2022. Net of deferred tax, the deficit has decreased from £4.2bn to £1.0bn. The £4.0bn decrease in the gross deficit since 31 March 2021 mainly reflects an increase in the real discount rate, £1.1bn of deficit contributions paid over the period, lower assumed future life expectancies due to an allowance for the impact of the Covid-19 pandemic and positive asset returns. This has been partially offset by higher inflation over the year than assumed at 31 March 2021.

[1] See Glossary on page 3.

Operating review

Measures discussed in the operating review are on an adjusted basis.

Consumer: On track with solid trading and strong EBITDA performance

	Fourth quarter to 31 March				Full year to 31 March			
	2022	2021	Change		**2022**	2021	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue[1]	**2,416**	2,391	25	1	**9,858**	9,885	(27)	—
Operating costs[1]	**1,859**	1,873	(14)	(1)	**7,596**	7,757	(161)	(2)
EBITDA[2]	**557**	518	39	8	**2,262**	2,128	134	6
Depreciation & amortisation					**1,421**	1,281	140	11
Operating profit[1]					**841**	847	(6)	(1)
Capital expenditure[3]					**1,198**	1,082	116	11
Normalised free cash flow					**917**	714	203	28

Fourth quarter revenue grew, driven by our growing broadband base and device launches. Revenue for the year was broadly flat due to the broadband base growth and year on year improved Sport revenue following the cancellation of sporting fixtures last year due to Covid-19, offset by the ongoing decline of our legacy BT voice product and lower postpaid mobile revenue as a consequence of reduced market activity and continued handset to SIM-only migration.

Both the quarter and year showed strong EBITDA growth reflecting our direct channel focus with lower indirect commissions and tight cost management. Our overall FY22 growth more than offset the benefit of sports rights rebates in the prior year.

Depreciation and amortisation were up driven by higher mobile network and customer equipment investment.

Capital expenditure was up due to higher mobile network, equipment and digital investment. Normalised free cash flow was up driven by lower mobile handset spend, reduced sports rights payments in the current year and higher EBITDA, partly offset by higher capital expenditure.

We finalised the joint venture between Warner Bros. Discovery and BT Sport which will create a really compelling combined sports offer for our customers, reduces our exposure to rights costs and provides a medium term route to exit.

Separately, we finalised the agreement with Sky on a new longer-term reciprocal channel supply deal beyond 2030.

In February we started to notify relevant customers of contractual price changes, effective from 1 April. To date we have seen no material adverse impact on churn in response to this.

We also announced in April that we're starting the preparations to make the EE brand our flagship brand for Consumer customers focussing on convergence and future services.

Our customer bases on strategic products continue to grow with FTTP base now over 1.1m, increasing by 112k in the quarter, our highest ever quarterly increase, and the 5G ready base now stands at over 7.2m with the continued rollout at pace of EE's 5G network. The network now covers over 50% of the UK population.

We achieved our highest ever NPS results for both BT and EE consumer brands. This strong customer focus has resulted in churn staying near record lows across fixed, broadband and mobile.

In the latest published Ofcom complaints data all of BT's brands generated rates that were equal to or lower than the industry average for the first time across landlines, broadband and mobile. EE continues to have the equal lowest proportional volume of complaints for mobile. Complaints about the BT brand broadband service reduced by 50% year-on year.

RootMetrics again named EE as the UK's best 4G and 5G networks with 5G in more places than any other network.

Our Q4 revenue growth, growing FTTP and 5G bases, award-winning mobile network, low churn, index linked contracts, strong brand NPS and continued converged growth, provide us with strong foundations heading into FY23.

[1] Adjusted (being before specific items). See glossary on page 3.
[2] Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.
[3] Excludes investment in spectrum of £388m.

Enterprise: Challenging market conditions and MVNO run off only partly offset by cost control and modernisation

	Fourth quarter to 31 March				Full year to 31 March			
	2022	2021	Change		**2022**	2021	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue[1]	**1,290**	1,363	(73)	(5)	**5,157**	5,449	(292)	(5)
Operating costs[1]	**906**	927	(21)	(2)	**3,521**	3,745	(224)	(6)
EBITDA[2]	**384**	436	(52)	(12)	**1,636**	1,704	(68)	(4)
Depreciation & amortisation					**724**	740	(16)	(2)
Operating profit[1]					**912**	964	(52)	(5)
Capital expenditure[3]					**569**	492	77	16
Normalised free cash flow					**791**	1,352	(561)	(41)

Revenue declined for the year, driven by legacy contract exits, declines in legacy products and the ongoing migration of an MVNO customer. There will be no further revenue from this MVNO contract in FY23. This was partially offset by upfront and one-off revenues from new contracts as well as continued growth across VOIP and Retail mobile revenues.

In the quarter, revenue grew in SME for the first time this year, but declined in Corporate and Public Sector and Wholesale.

EBITDA was down 4%, reflecting the revenue decline, partially offset by tight cost control and the benefits of our modernisation programme. Depreciation and amortisation were down 2% for the year.

Capital expenditure increased due to increased investment in product development as well as in our modernisation programme. Normalised free cash flow has declined, reflecting the increase in capital expenditure as well as reduced EBITDA, adverse working capital and the prior year benefit from the monetisation of a non-strategic revenue stream.

For the year, retail order intake increased 3% to £2.7bn despite challenging market conditions. Wholesale order intake increased 15% to £1.0bn, including a significant multi-data centre deal with BAI Communications to support their contract to deliver connectivity solutions for the London Underground. Despite growth in both our Retail and Wholesale order intake, the on-going challenges in the economic environment continue to present a level of uncertainty in the UK B2B environment.

Enterprise has continued to focus on delivering for its customers as reflected in its NPS, which reached an all-time high in Q4 FY22. Corporate and Public Sector, SME and Wholesale all saw an improvement in the year.

We also announced in April that BT will become the flagship brand for our B2B businesses (Enterprise and Global) and revealed our new brand platform for the BT brand: BT Means Business.

[1] Adjusted (being before specific items). See glossary on page 3.
[2] Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.
[3] Excludes investment in spectrum of £91m.

Global: Continued challenging market conditions, partly offset by strong cost transformation

	Fourth quarter to 31 March				Full year to 31 March			
	2022	2021	Change		**2022**	2021	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue[1]	**837**	908	(71)	(8)	**3,362**	3,731	(369)	(10)
Operating costs[1]	**702**	752	(50)	(7)	**2,906**	3,135	(229)	(7)
EBITDA[2]	**135**	156	(21)	(13)	**456**	596	(140)	(23)
Depreciation & amortisation					**355**	405	(50)	(12)
Operating profit[1]					**101**	191	(90)	(47)
Capital expenditure					**201**	188	13	7
Normalised free cash flow					**131**	187	(56)	(30)

Revenue for the year declined by 10% primarily due to continued challenging market conditions, the impact of prior year divestments, and a £106m negative foreign exchange movement, partly offset by relationship-driven lower margin equipment sales. Revenue excluding divestments and foreign exchange declined by 3%, reflecting reduced customer business activity, resulting in lower project-based spend and higher margin change control sales.

EBITDA for the year declined by 23% reflecting lower revenues, the impact of prior year divestments and a £35m negative impact from foreign exchange, partially offset by lower operating costs from ongoing modernisation and rigorous cost control. EBITDA, excluding divestments, one-offs and foreign exchange was down by 14%.

Depreciation and amortisation declined by 12% for the year, mainly due to reductions in capital investment over the last few years. Operating profit decreased by £90m.

Capital expenditure was up 7%. Normalised free cash flow for the year declined by £56m mainly reflecting lower EBITDA and higher capex offset by improved working capital.

Order intake in the quarter was £1.1bn, up 21%. Order intake for the year was £3.6bn, down 1% year on year. Our growth product portfolio has continued to increase, now representing around half of the order intake this year and revenue from our growth portfolio, excluding divestments and foreign exchange, increased by 7% year on year.

During the quarter we extended our long-term relationship with Atos for a further three years. The agreement covers Atos own use, re-sale and joint go-to-market on a full range of our networking and collaboration services. It also includes a commitment to collaborate on sustainability opportunities. We also extended our contract with Phoenix Group, a leading European distributor of pharmaceuticals, to connect their operations across 26 countries in Europe.

BT Security was named a leader for Managed Security Services in Europe in the IDC MarketScape report and we launched a managed service for multinational customers based on VMware's secure access service edge (SASE).

[1] Adjusted (being before specific items). See glossary on page 3.
[2] Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.

Openreach: FTTP build accelerating and strong service levels

	Fourth quarter to 31 March				Full year to 31 March			
	2022	2021	Change		**2022**	2021	Change	
	£m	£m	£m	%	**£m**	£m	£m	%
Revenue[1]	**1,373**	1,346	27	2	**5,441**	5,244	197	4
Operating costs[1]	**562**	620	(58)	(9)	**2,262**	2,307	(45)	(2)
EBITDA[2]	**811**	726	85	12	**3,179**	2,937	242	8
Depreciation & amortisation					**1,876**	1,707	169	10
Operating profit[1]					**1,303**	1,230	73	6
Capital expenditure					**2,548**	2,249	299	13
Normalised free cash flow					**448**	486	(38)	(8)

Revenue growth for the full year was driven by better trading in fibre-enabled products, up 9%, and Ethernet, up 6%. This was partially offset by declines in legacy products including 183k reductions in WLR voice lines supporting FTTP lines and a decrease in chargeable repairs, driven by lower repair volumes. In Q4 FY21 we reclassified £18m of other operating income as revenue; this benefited the first three quarters of FY22 but did not recur in Q4.

EBITDA grew 8% driven by revenue growth and lower costs reflecting lower repair volumes, ongoing efficiency programmes and a £10m one-off, partially offset by higher FTTP provision volume and recruitment. Q4 benefited from lower operating costs as a result of the one-off team member bonus in prior year.

Depreciation and amortisation grew £169m, driven by increase in fixed assets, including network and leased vehicles. We now have over 1,000 electric vehicles in our fleet.

Capital expenditure grew 13%, driven by FTTP, with more customers connected and higher network build, partly offset by efficiency savings and lower non-FTTP spend. FTTP now accounts for over half of our capex spend.

Normalised free cash flow declined by 8% driven by higher capital investment, payment of the one-off FY21 team member bonus, timing of working capital and lease payables.

We delivered record FTTP build of over 750k premises passed in the quarter, at an average build rate of 58k per week; we are now 29% way through our 25m build. We now have a footprint passing 7.2m premises.

Our rural build is progressing well with 2.25m homes and businesses able to access FTTP in rural locations.

Our FTTP base continues to grow; we now have c.1.8m end customers, with 263k growth in the quarter accelerated by Equinox. Over 59% of FTTP orders in Q4 were for ultrafast speeds, and 56% of all FTTP orders in Q4 were from communication providers external to the BT Group.

We continue to see good traction on our Equinox FTTP long term pricing offer, with 42 CPs now onboard. The CPs operating since October are currently performing well against the 'fibre only' take up measure.

Following a successful trial, Openreach signed a memorandum of understanding on a framework with Sky on FTTP co-provisioning with Sky engineers completing the majority of their FTTP in-premises provisioning activities on Openreach’s FTTP network.

For copper services we have delivered all 30 of our quality of service standards, and despite the impacts of multiple named storms, Openreach delivered our best annual performance for on time provision of 95.1% and on time repair of 86.0%. Our end customer satisfaction remains high with over 91% of customers survey responses scoring us between 8 to 10 out of 10.

We hired over 4,000 engineering recruits in FY22, 80% of these being apprentices. The new recruits are based throughout the UK, with 1,200 Fibre build engineers and 800 civil engineers working to build the FTTP network and 2,000 focused on customer provision and service.

[1] Adjusted (being before specific items). See glossary on page 3.
[2] Adjusted (being before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense). See glossary on page 3.

Condensed consolidated financial statements

Group income statement

For the full year to 31 March 2022

	Note	Before specific items ('Adjusted')	Specific items (note 5)	Total (Reported)
		£m	£m	£m
Revenue	2,3	20,845	5	**20,850**
Operating costs	4	(17,673)	(292)	**(17,965)**
Operating profit (loss)		3,172	(287)	**2,885**
Finance expense		(833)	(101)	**(934)**
Finance income		12	—	**12**
Net finance expense		(821)	(101)	**(922)**
Share of post tax profit (loss) of associates and joint ventures		—	—	**—**
Profit (loss) before tax		2,351	(388)	**1,963**
Taxation		(349)	(340)	**(689)**
Profit (loss) for the year		2,002	(728)	**1,274**
Earnings per share				
- basic		20.3p	(7.4)p	**12.9p**
- diluted		19.7p	(7.2)p	**12.5p**

For the full year to 31 March 2021

	Note	Before specific items ('Adjusted')	Specific items (note 5)	Total (Reported)
		£m	£m	£m
Revenue	2,3	21,370	(39)	21,331
Operating costs	4	(18,302)	(442)	(18,744)
Operating profit (loss)		3,068	(481)	2,587
Finance expense		(785)	(18)	(803)
Finance income		12	—	12
Net finance expense		(773)	(18)	(791)
Share of post tax profit (loss) of associates and joint ventures		8	—	8
Profit (loss) before tax		2,303	(499)	1,804
Taxation		(428)	96	(332)
Profit (loss) for the year		1,875	(403)	1,472
Earnings per share				
- basic		18.9p	(4.1)p	14.8p
- diluted		18.6p	(4.0)p	14.6p

Group statement of comprehensive income

	Full year to 31 March	
	2022	2021
	£m	£m
Profit for the year	**1,274**	1,472
Other comprehensive income (loss)		
Items that will not be reclassified to the income statement		
Remeasurements of the net pension obligation	**2,865**	(4,856)
Tax on pension remeasurements	**(399)**	918
Items that have been or may be reclassified subsequently to the income statement		
Exchange differences on translation of foreign operations	**65**	(189)
Fair value movements on assets at fair value through other comprehensive income	**6**	—
Movements in relation to cash flow hedges:		
– net fair value gains (losses)	**204**	(1,468)
– recognised in income and expense	**(54)**	850
Tax on components of other comprehensive income that have been or may be reclassified	**(31)**	133
Other comprehensive income (loss) for the year, net of tax	**2,656**	(4,612)
Total comprehensive income (loss) for the year	**3,930**	(3,140)

Group balance sheet

	31 March 2022 £m	31 March 2021 £m
Non-current assets		
Intangible assets	13,809	13,357
Property, plant and equipment	20,599	19,397
Right-of-use assets	4,429	4,863
Derivative financial instruments	1,003	1,165
Investments	34	31
Associates and joint ventures	5	17
Trade and other receivables	337	314
Contract assets	361	344
Deferred tax assets	289	989
	40,866	40,477
Current assets		
Programme rights	310	328
Inventories	300	297
Trade and other receivables	2,624	3,257
Contract assets	1,554	1,515
Assets classified as held for sale	80	—
Current tax receivable	496	281
Derivative financial instruments	88	70
Investments	2,679	3,652
Cash and cash equivalents	777	1,000
	8,908	10,400
Current liabilities		
Loans and other borrowings	873	911
Derivative financial instruments	51	88
Trade and other payables	6,142	5,980
Contract liabilities	833	925
Lease liabilities	795	730
Liabilities classified as held for sale	40	—
Current tax liabilities	90	84
Provisions	222	288
	9,046	9,006
Total assets less current liabilities	**40,728**	41,871
Non-current liabilities		
Loans and other borrowings	15,312	15,774
Derivative financial instruments	819	1,195
Contract liabilities	170	167
Lease liabilities	4,965	5,422
Retirement benefit obligations	1,143	5,096
Other payables	624	682
Deferred tax liabilities	1,960	1,429
Provisions	439	427
	25,432	30,192
Equity		
Share capital	499	499
Share premium	1,051	1,051
Own shares	(274)	(143)
Merger reserve	998	998
Other reserves	619	436
Retained earnings	12,403	8,838
Total equity	**15,296**	11,679
	40,728	41,871

Group statement of changes in equity

For the full year to 31 March 2022

	Share Capital[1]	Share Premium[2]	Own Shares	Merger Reserve[3]	Other Reserves	Retained earnings	Total Equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2021	**499**	**1,051**	**(143)**	**998**	**436**	**8,838**	**11,679**
Profit for the year	—	—	—	—	—	1,274	1,274
Other comprehensive income (loss) before tax	—	—	—	—	275	2,865	3,140
Tax on other comprehensive (loss) income	—	—	—	—	(31)	(399)	(430)
Transferred to the income statement	—	—	—	—	(54)	—	(54)
Total comprehensive income (loss) for the year	—	—	—	—	190	3,740	3,930
Dividends to shareholders	—	—	—	—	—	(227)	(227)
Unclaimed dividends over 10 years	—	—	—	—	—	2	2
Share-based payments	—	—	—	—	—	108	108
Tax on share-based payments	—	—	—	—	—	11	11
Net buyback of own shares	—	—	(131)	—	—	(65)	(196)
Transfer to realised profit	—	—	—	—	(7)	7	—
Other movements[4]	—	—	—	—	—	(11)	(11)
At 31 March 2022	**499**	**1,051**	**(274)**	**998**	**619**	**12,403**	**15,296**

For the full year to 31 March 2021

	Share Capital	Share Premium	Own Shares	Merger Reserve	Other Reserves	Retained earnings	Total Equity
At 1 April 2020	499	1,051	(237)	2,572	1,119	9,759	14,763
Profit for the year	—	—	—	—	—	1,472	1,472
Other comprehensive income (loss) before tax	—	—	—	—	(1,657)	(4,856)	(6,513)
Tax on other comprehensive (loss) income	—	—	—	—	133	918	1,051
Transferred to the income statement	—	—	—	—	850	—	850
Total comprehensive income for the year	—	—	—	—	(674)	(2,466)	(3,140)
Dividends to shareholders	—	—	—	—	—	—	—
Unclaimed dividends over 10 years	—	—	—	—	—	—	—
Share-based payments	—	—	—	—	—	72	72
Tax on share-based payments	—	—	—	—	—	5	5
Net buyback of own shares	—	—	94	—	—	(107)	(13)
Transfer to realised profit	—	—	—	(1,574)	(9)	1,583	—
Other movements	—	—	—	—	—	(8)	(8)
At 31 March 2021	499	1,051	(143)	998	436	8,838	11,679

[1] The allotted, called up, and fully paid ordinary share capital of BT Group plc at 31 March 2022 was £499m comprising 9,968,127,681 ordinary shares of 5p each (FY21: £499m comprising 9,968,127,681 ordinary shares of 5p each).
[2] The share premium account, comprising the premium on allotment of shares, is not available for distribution.
[3] The merger reserve balance at 1 April 2020 includes £998m related to the group reorganisation that occurred in November 2001 and represented the difference between the nominal value of shares in the new parent company, BT Group plc, and the aggregate of the share capital, share premium account and capital redemption reserve of the prior parent company, British Telecommunications plc. In addition, on 29 January 2016, the company issued 1,594,900,429 ordinary shares of 5p at 470.7p per share. These shares were used as part consideration for the acquisition of EE. As a result of this transaction the merger reserve was credited with £7,424m net of £3m issue costs. In FY21, following settlement of intercompany loans by qualifying consideration of £1,574m, equivalent balances were transferred from merger reserve to realised profit.
[4] In June 2021, BT exercised an option to purchase the minority shareholding in a subsidiary (BT Communications South Africa). The obligation to purchase the subsidiary's equity instruments is accounted for as a financial liability with a corresponding debit to equity. Non-controlling interests are not material to the Group so are not accounted for separately.

Group cash flow statement

	Full year to 31 March	
	2022	2021
	£m	£m
Cash flow from operating activities		
Profit before taxation	1,963	1,804
Share of post tax (profit) loss of associates and joint ventures	—	(8)
Net finance expense	922	791
Operating profit	**2,885**	2,587
Other non-cash charges	76	267
(Profit) loss on disposal of businesses	(37)	(65)
(Profit) loss on disposal of property, plant and equipment and intangible assets	—	(66)
Depreciation and amortisation	4,405	4,347
(Increase) decrease in inventories	(3)	2
(Increase) decrease in programme rights	(17)	13
(Increase) decrease in trade and other receivables	(53)	327
(Increase) decrease in contract assets	(51)	(141)
Increase (decrease) in trade and other payables	99	(43)
(Decrease) increase in contract liabilities	(93)	(48)
(Decrease) increase in other liabilities[1]	(1,169)	(927)
(Decrease) increase in provisions	(80)	(2)
Cash generated from operations	**5,962**	6,251
Income taxes paid	(52)	(288)
Net cash inflow from operating activities	**5,910**	5,963
Cash flow from investing activities		
Interest received	6	6
Dividends received from associates and joint ventures	1	5
Acquisition of subsidiaries	—	(7)
Proceeds on disposal of subsidiaries, associates and joint ventures	76	164
Proceeds on disposal of current financial assets[2]	13,402	13,506
Purchases of current financial assets[2]	(12,432)	(12,085)
Net (purchase) disposal of non-current asset investments	(8)	(11)
Proceeds on disposal of property, plant and equipment and intangible assets	2	85
Purchases of property, plant and equipment and intangible assets[3]	(4,607)	(4,903)
Net cash outflow from investing activities	**(3,560)**	(3,240)
Cash flow from financing activities		
Equity dividends paid	(228)	(2)
Interest paid	(755)	(770)
Repayment of borrowings[4]	(1,374)	(1,162)
Proceeds from bank loans and bonds	744	—
Payment of lease liabilities	(659)	(782)
Cash flows from collateral received	(29)	(490)
Changes in ownership interests in subsidiaries[5]	(86)	—
Proceeds from issue of own shares	13	1
Repurchase of ordinary share capital	(184)	(14)
Net cash outflow from financing activities	**(2,558)**	(3,219)
Net decrease in cash and cash equivalents	**(208)**	(496)
Opening cash and cash equivalents[6]	896	1,409
Net decrease in cash and cash equivalents	(208)	(496)
Effect of exchange rate changes	4	(17)
Closing cash and cash equivalents[6]	**692**	896

[1] Includes pension deficit payments of £1,121m (FY21: £955m)
[2] Primarily consists of investment in and redemption of amounts held in liquidity funds.
[3] Consists of additions to property, plant and equipment, engineering stores and software of £4,807m (FY21: £4,197m) and movements in capital accruals of £23m (FY21: £4m) less net refund in respect of spectrum acquisition of £223m (FY21: £702m prepayment).
[4] Repayment of borrowings includes the impact of hedging.
[5] Relates to the acquisition of the remaining 30% of the share capital of BT OnePhone Limited. As part of the accounting for the acquisition, we revisited our original assessment of control under IFRS 10 and concluded that it should have been classified as a subsidiary instead of a joint venture. The current period accounting reflects this assessment.
[6] Net of bank overdrafts of £85m (FY21: £104m).

Notes to the condensed consolidated financial statements

1. Basis of preparation and accounting policies

These condensed consolidated financial statements (the "financial statements") comprise the financial results of BT Group plc for the years to 31 March 2022 and 2021 together with the balance sheet at 31 March 2022 and 2021. Results for the year to 31 March 2022 have been extracted from the 31 March 2022 audited consolidated financial statements which have been approved by the Board of Directors. These have not yet been delivered to the Registrar of Companies but are expected to be published on 1 June 2022.

The directors are satisfied that the Group has adequate resources to continue in operation for a period of at least twelve months from the date of this report. Consequently, the directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated financial statements for the full year to 31 March 2022. When reaching this conclusion, the directors took into account:

- The Group's overall financial position (including trading during the year and ability to repay term debt as it matures without recourse to refinancing); and
- Exposure to principal risks (including severe but plausible downsides).

At 31 March 2022, the Group had cash and cash equivalents of £0.8bn and current asset investments of £2.7bn. The Group also had access to committed borrowing facilities of £2.1bn. These facilities were undrawn at period-end and are not subject to renewal until March 2027.

Other than income taxes which are accrued using the tax rate that is expected to be applicable for the full financial year, the financial statements have been prepared in accordance with the accounting policies as set out in the financial statements for the year to 31 March 2022 and have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities (including derivative financial instruments) at fair value.

The financial information set out above does not constitute the company's statutory accounts for the years to 31 March 2022 or 2021 but is derived from those accounts. A reference to a year expressed as FY22 is to the financial year ended 31 March 2022. The auditor has reported on those accounts; their report (i) was unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006 in respect of the accounts for the year to 31 March 2022 or 31 March 2021. Statutory accounts for the year to 31 March 2021 were approved by the Board of Directors on 12 May 2021, published on 24 May 2021 and have been delivered to the Registrar of Companies.

New and amended accounting standards effective during the year

No new or amended accounting standards that became effective during the year have had a significant impact on the Group.

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:

Amendments to IAS 37 for onerous contracts

The amendments to IAS 37 specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. The amendments apply for annual reporting periods beginning on or after 1 January 2022 to contracts existing at the date when the amendments are first applied. For BT this will be from next financial year. At the date of initial application, the cumulative effect of applying the amendments will be recognised as an opening balance adjustment to retained earnings as at 1 April 2022. The comparatives will not restated. The Group is in the process of finalising the impact of the standard. We do not expect the impact on adoption to be material.

IFRS 17 'Insurance Contracts'

We are in the process of assessing the impact of adopting this standard which is effective for BT from 1 April 2023.

Other

We do not expect any other standards or interpretations that have been issued but are not yet effective to have a significant impact on the group.

2. Operating results – by customer facing unit

Full year to 31 March 2022	External revenue £m	Internal revenue £m	Group revenue £m	Adjusted EBITDA[1] £m	Operating profit £m
Consumer	**9,775**	**83**	**9,858**	**2,262**	**841**
Enterprise	**5,052**	**105**	**5,157**	**1,636**	**912**
Global	**3,362**	**—**	**3,362**	**456**	**101**
Openreach	**2,629**	**2,812**	**5,441**	**3,179**	**1,303**
Other	**27**	**—**	**27**	**44**	**15**
Intra-group items	**—**	**(3,000)**	**(3,000)**	**—**	**—**
Total adjusted[2]	**20,845**	**—**	**20,845**	**7,577**	**3,172**
Specific items (note 5)			**5**		**(287)**
Total			**20,850**		**2,885**

Full year to 31 March 2021	External revenue £m	Internal revenue £m	Group revenue £m	Adjusted EBITDA[1] £m	Operating profit £m
Consumer	9,788	97	9,885	2,128	847
Enterprise	5,340	109	5,449	1,704	964
Global	3,731	—	3,731	596	191
Openreach	2,488	2,756	5,244	2,937	1,230
Other	23	—	23	50	(164)
Intra-group items	—	(2,962)	(2,962)	—	—
Total adjusted[2]	21,370	—	21,370	7,415	3,068
Specific items (note 5)			(39)		(481)
Total			21,331		2,587

[1] For the reconciliation of adjusted EBITDA, see Additional Information on page 32.
[2] See Glossary on page 3.

3. Operating results - by type of revenue

Full year to 31 March 2022	Consumer £m	Enterprise £m	Global £m	Openreach £m	Other £m	Total £m
ICT and managed networks	**—**	**1,715**	**1,672**	**—**	**—**	**3,387**
Fixed access subscription revenue	**3,991**	**1,696**	**268**	**2,564**	**—**	**8,519**
Mobile subscription revenue	**3,247**	**1,176**	**87**	**—**	**—**	**4,510**
Equipment and other services	**2,537**	**465**	**1,335**	**65**	**27**	**4,429**
Total adjusted[1] revenue	**9,775**	**5,052**	**3,362**	**2,629**	**27**	**20,845**
Specific items (note 5)						**5**
Total revenue						**20,850**

Full year to 31 March 2021	Consumer £m	Enterprise £m	Global £m	Openreach £m	Other £m	Total £m
ICT and managed networks	—	1,993	1,977	—	—	3,970
Fixed access subscription revenue	4,089	1,762	321	2,426	—	8,598
Mobile subscription revenue	3,492	1,262	87	—	—	4,841
Equipment and other services	2,207	323	1,346	62	23	3,961
Total adjusted[1] revenue	9,788	5,340	3,731	2,488	23	21,370
Specific items (note 5)						(39)
Total revenue						21,331

[1] See Glossary on page 3.

4. Operating costs

	Full year to 31 March	
	2022 **£m**	2021 £m
Operating costs by nature		
Wages and salaries	**3,746**	4,096
Social security costs	**400**	403
Other pension costs	**591**	591
Share-based payment expense	**108**	72
Total staff costs	**4,845**	5,162
Own work capitalised	**(989)**	(895)
Net staff costs	**3,856**	4,267
Net indirect labour costs	**354**	294
Net labour costs	**4,210**	4,561
Product costs	**3,166**	3,387
Sales commissions	**628**	683
Payments to telecommunications operators	**1,346**	1,517
Property and energy costs	**1,028**	1,025
Network operating and IT costs	**904**	916
TV programme rights charges	**879**	786
Provision and installation	**678**	558
Marketing and sales	**312**	255
Net impairment losses on trade receivables and contract assets	**102**	150
Other operating costs	**256**	343
Other operating income	**(241)**	(226)
Depreciation of property, plant and equipment	**2,669**	2,460
Depreciation of Right-of-use assets	**688**	690
Amortisation of intangible assets	**1,048**	1,197
Total operating costs before specific items	**17,673**	18,302
Specific items	**292**	442
Total operating costs	**17,965**	18,744

During the year we implemented a new accounting system along with a new chart of accounts that has provided improved visibility of the group's cost base. As a result we have refined the classification of costs within the operating costs disclosure for FY22. Improved data has allowed us to better allocate subcontractor costs to indirect labour costs, and allocate more costs to specific cost categories as opposed to within other operating costs. Following detailed analysis of the underlying causes of reallocations we have concluded they are not indicative of material errors in previously published financial data including the FY21 comparatives.

5. Specific items

Our income statement and segmental analysis separately identify trading results on an adjusted basis, being before specific items. The directors believe that presentation of the group's results in this way is relevant to an understanding of the group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence.

This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing an additional analysis of our reporting trading results. Specific items may not be comparable to similarly titled measures used by other companies.

In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors. Examples of charges or credits meeting the above definition and which have been presented as specific items in the current and/or prior years include business restructuring programmes, acquisitions and disposals of businesses and investments, charges or credits relating to retrospective regulatory matters, property rationalisation programmes, significant out of period contract settlements, net interest on our pension obligation, and the impact of remeasuring deferred tax balances. In the event that items meet the criteria, which are applied consistently from year to year, they are treated as specific items. Any releases to provisions originally booked as a specific item are also classified as specific.

In FY20 we included the impacts of Covid-19 on various balance sheet items as at 31 March 2020 as specific. Any releases to this provision have been released through specific items in FY21 and FY22. The impact of Covid-19 on underlying trading is recognised in our underlying (adjusted) results and not as a specific item.

	Full year to 31 March	
	2022	2021
	£m	£m
Specific revenue		
Retrospective regulatory matters	**(5)**	39
Specific revenue	**(5)**	39
Specific operating costs		
Restructuring charges	**347**	421
Divestment-related items	**(36)**	(60)
Covid-19	**(19)**	(17)
Retrospective regulatory matters	**—**	(4)
Settlement with Dixons Carphone	**—**	149
Sale of spectrum	**—**	(66)
Property rationalisation costs	**—**	19
Specific operating costs	**292**	442
Specific operating loss	**287**	481
Divestment-related items	**8**	—
Interest expense on retirement benefit obligation	**93**	18
Net specific items charge before tax	**388**	499
Tax credit on specific items	**(80)**	(96)
Tax charge on re-measurement of deferred tax	**420**	—
Net specific items charge after tax	**728**	403

Retrospective regulatory matters

We recognised a net credit of £5m (FY21: net charge of £35m) in relation to historical regulatory matters, recognised in revenue. This reflects the movement in provisions relating to various matters.

Restructuring charges

In the year we incurred charges of £347m (FY21: £421m), primarily relating to leaver costs, staff costs where colleagues are working exclusively on transformation programmes, and consultancy costs. These costs reflect projects within our Group-wide modernisation programme, first announced in May 2020, which will deliver gross annualised cost benefits of £2.5bn by FY25, at an expected cost of £1.3bn. £0.8bn costs have been incurred to date.

Divestment-related items

We recognised a credit of £36m (FY21: £60m). This primarily relates to a gain on disposal of £43m relating to the sale of Diamond IP, a non-core software business in America. This was offset by an £8m loss on disposal of business units in Italy serving customers in the public administration and SME sectors. There were also some small true-up charges on previous transactions and costs relating to ongoing divestment projects. A charge of £8m (FY21: £nil) was also recognised in finance expense relating to a hedge which became ineffective due to divestment activity.

In FY21 we completed the sale of our domestic operations in Spain and recorded a net gain of £80m. We also incurred net losses on the disposal of our domestic operations in Latin America and France of £11m and recognised £9m of other divestment related costs, including an additional £4m loss on disposal of a number of other businesses.

Covid-19

In FY20, we recognised one-off charges of £95m relating to the impact of Covid-19 on various balance sheet items. Any releases of these provisions have also been booked as a specific item. During FY22 we released £19m (FY21: £17m) of these provisions which were not needed. At 31 March 2022 we retained £12m (31 March 2021: £55m) of provisions related to Covid-19.

Settlement with Dixons Carphone

In FY21, following the expiry of the retail agreement between Dixons Carphone and EE Limited, we mutually agreed to resolve all outstanding matters which primarily related to contingent revenue share costs that could have previously been recognised over future years. The associated cost of £149m which includes the agreed cash payment and the write-off of balance sheet prepayments and accruals was treated as a specific item in the FY21 results. The associated cash payment was made in April 2021.

Sale of spectrum

In FY21 we sold 25 MHz of unpaired 2.6 GHz spectrum and recognised a gain on disposal of £66m as a specific item.

Property rationalisation costs

In FY21, we recognised costs of £19m relating to rationalisation of our property portfolio under our Better Workplace programme. In FY22, property rationalisation costs have been classified as restructuring charges where they fall under the previously announced transformation programme.

Interest expense on retirement benefit obligation

We incurred £93m (FY21: £18m) of interest costs in relation to our defined benefit pension obligations.

Tax on specific items

A tax credit of £80m (FY21: £96m) was recognised in relation to specific items.

Remeasurement of deferred tax balances

We have remeasured our deferred tax balances following the enactment of the new UK corporation tax rate of 25% from April 2023. The corresponding adjustment comprises a net tax charge of £420m in the income statement and a non-recurring tax credit of £298m in the statement of comprehensive income. This is classified as a specific item due to its size and the out of period nature of this charge.

6. Pensions

	31 March 2022	31 March 2021
	£bn	£bn
IAS 19 liabilities – BTPS	**(54.3)**	(57.7)
Assets – BTPS	**53.5**	53.2
Other schemes	**(0.3)**	(0.6)
Total IAS 19 deficit, gross of tax	**(1.1)**	(5.1)
Total IAS 19 deficit, net of tax	**(1.0)**	(4.2)
Discount rate (nominal)	**2.75 %**	2.05 %
Discount rate (real)[1]	**(0.92)%**	(1.11)%
Future inflation – average increase in RPI (p.a.)	**3.70 %**	3.20 %
Future inflation – average increase in CPI (p.a.)	**3.25 %**	2.75 %

[1] The real rate is calculated relative to RPI inflation.

The IAS 19 deficit has decreased from £5.1bn at 31 March 2021 to £1.1bn at 31 March 2022. Net of deferred tax, the deficit has decreased from £4.2bn to £1.0bn.

The decrease in the gross deficit of £4.0bn since 31 March 2021 mainly reflects an increase in the real discount rate, £1.1bn of deficit contributions paid over the period, lower assumed future life expectancies due to an allowance for the impact of the Covid-19 pandemic and positive asset returns. This has been partially offset by higher inflation over the year than assumed at 31 March 2021.

7. Share capital

In FY22, 20m shares (FY21: 9m) at a total cost of £43m (FY21: £17m), calculated at a weighted average cost per share, were transferred from own shares (comprising Treasury shares and shares held under the BT Group Employee Share Ownership Trust) to satisfy obligations under all-employee and executive share plans. We received cash proceeds of £13m (FY21: £1m).

In addition, 19m shares (FY21: 35m) at a total cost of £36m (FY21: £90m), calculated at a weighted average cost per share, were transferred from own shares under the yourshare grant for employees.

Own shares of £210m (FY21: £14m) were purchased during the year.

8. Dividends

In line with the Group's dividend policy, the Board has approved a final dividend for FY22 of 5.39pps (FY21: no final dividend paid), which will be paid on 12 September 2022, giving a full year FY22 dividend of 7.7pps (FY21: nil). The ex-dividend date is 4 August 2022. An interim dividend of 2.31pps amounting to £227m was paid on 7 February 2022 (FY21: no interim dividend paid).

9. Contingent liabilities

Legal proceedings

The Group is involved in various proceedings, including actual or threatened litigation, and government or regulatory investigations. However, save as disclosed below, the Group does not currently believe that there are any legal proceedings, or government or regulatory investigations that may have a material adverse impact on the operations or financial condition of the Group. In respect of each of the claims below, the nature and progression of such proceedings and investigations make it difficult to make a reliable estimate of the potential outflow of funds that might be required to settle the claims where there is a more than remote possibility of there being an outflow. There are many reasons why we cannot make these assessments with certainty, including, among others, that they are in early stages, no damages or remedies have been specified, and/or the often slow pace of litigation.

Class action claim

In January 2021, law firm Mishcon de Reya applied to the Competition Appeal Tribunal to bring a proposed class action claim for damages they estimated at £608m (inclusive of compound interest) or £589m (inclusive of simple interest) on behalf of our landline customers alleging anti-competitive behaviour through excessive pricing by BT to customers with certain residential landline services. Ofcom considered this topic more than four years ago. At that time, Ofcom's final statement made no finding of excessive pricing or breach of competition law more generally. The claim seeks to hold against us the fact that we implemented a voluntary commitment to reduce prices for customers that have a BT landline only and not to increase those prices beyond inflation (CPI). At the reporting date we are not aware of any evidence to indicate that a present obligation exists such that any amount should be provided for. In September 2021 the Competition Appeal Tribunal certified the claim to proceed to a substantive trial on an opt-out basis (class members are automatically included in the claim unless they choose to opt-out). We appealed the opt-out nature of that decision and in May 2022 the Court of Appeal determined that the claim should proceed on an opt-out basis. The next procedural hearing is listed on 13 May 2022. BT intends to defend itself vigorously.

Italian business

Milan Public Prosecutor prosecutions: In February 2019 the Milan Public Prosecutor served BT Italia S.P.A. (BT Italia) with a notice (which named BT Italia, as well as various individuals) to record the Prosecutor's view that there is a basis for proceeding with its case against BT Italia for certain potential offences, namely the charge of having adopted, from 2011 to 2016, an inadequate management and control organisation model for the purposes of Articles 5 and 25 of Legislative Decree 231/2001. BT Italia disputes this and maintains in a defence brief filed in April 2019 that: (a) BT Italia did not gain any interest or benefit from the conduct in question; and (b) in any event, it had a sufficient organisational, management and audit model that was circumvented/overridden by individuals acting in their own self-interest. However, following a series of committal hearings in Autumn 2020, on 10 November 2020, the Italian court agreed (as is the normal process unless there are limitation or other fundamental issues with the claim) that BT Italia, and all but one of the individuals, should be committed to a full trial. The trial commenced on 26 January 2021 and is expected to last at least two years. On 23 April 2021, the Italian court allowed some parties to be joined to the criminal proceedings as civil parties ('parte civile') – a procedural feature of the Italian criminal law system. These claims are directed at certain individual defendants (which include former BT/ BT Italia employees). Those parties have now applied to join BT Italia as a respondent to their civil claims ('responsabile civile') on the basis that it is vicariously responsible for the individuals' wrongdoing. If successful, the quantum of those claims is not anticipated to be material.

Phones 4U

Since 2015 the administrators of Phones 4U Limited have made allegations that EE and other mobile network operators colluded to procure Phones 4U's insolvency. Legal proceedings for an unquantified amount were issued in December 2018 by the administrators and in April 2019 we submitted our defence to this claim. The first trial, on the question of breach, is due to start on 16 May 2022, and the second trial, on quantum (if necessary), would be listed after that. We continue to dispute these allegations vigorously.

Regulatory matters

In the ordinary course of business, we are periodically notified of regulatory and compliance matters and investigations. We provide for anticipated costs where an outflow of resources is considered probable and a reasonable estimate can be made of the likely outcome. Provisions reflect management's estimates of regulatory and compliance risks across a range of issues, including price and service issues.

The precise outcome of each matter depends on whether it becomes an active issue, and the extent to which negotiation or regulatory and compliance decisions will result in financial settlement. The ultimate liability may vary from the amounts provided and will be dependent upon the eventual outcome of any settlement.

10. Principal risks and uncertainties

Our approach to risk is simple and consistent: We have our risk mindset and culture, which encapsulates our risk process and activities and is brought together by risk leadership and governance. Collectively, this is our risk management framework.

Risk mindset and culture

We engender a set of behaviours and expectations that drive risk awareness throughout our business activities. It is driven by the tone from the top and supported by our people management systems and promotes timely and sensible risk interventions and actions that improve operational integrity and help make smart choices about risks – being bold without being reckless. We communicate the expected behaviours to every colleague through our code to get risk awareness weaved into the fabric of our culture. We have an ongoing programme of training and communication, and defined roles to formalise risk management, while continuing to integrate risk thinking and procedures into key areas of decision making.

Risk process and activities

Our approach to risk management has evolved over the last few years with a focus on making it clear and simple across all business areas, facilitating learning, aggregation, shared responses, consistent and efficient activities; and effective dot-joining.

We divide our risk landscape into group risk categories (GRCs) of our enduring risks – like communications regulation and financial control – that will continue to be important to us over time and can be managed consistently.

We are also constantly aware of and deal with specific risks and uncertainties that arise which are significant and dynamic in nature, our Point Risks and Emerging Risks.

For each GRC, we have developed an approach that we call The ART of Risk Management. (Appetite, Rules and Three lines of defence) This year we've made good progress in establishing the ART of Risk Management across each GRC, which is driving improved accountability, helping to monitor exposures; delivering assurance over the design and operation of key controls; and providing clarity on actionable steps to take the right decisions at the right times.

Risk leadership and governance

A key factor for great risk management is tone from the top. Our leaders visibly believe in, support and are constantly engaged in risk management throughout their activities, ensuring risk is considered in key business processes and decisions. There is an Executive Committee sponsor for each GRC. They set out how we measure our exposure to that category of risk, how we manage it (including setting the right policies and controls) and ensure that we take the actions necessary to achieve and maintain our target risk appetite and level of control. Point and emerging risks relating to each category are continuously reviewed and managed. Each category and the corresponding Executive

Committee sponsorship is group-wide, with the aim of ensuring we join dots across the business and think about our risks in a non-siloed manner.
Each of our units also reviews, on a periodic basis, its exposure in all these categories and identifies and manages the point and emerging risks that might affect its performance.
Our governance structures ensure that different oversight bodies and leadership teams get the right level of information on our risk exposures and how we are managing them at the right times. This promotes robust discussion and prioritisation, the right monitoring, and better decision-making.

Strategic

Strategy, technology and competition	**Sponsor:** Chief financial officer
What this category covers	
Whilst developing and executing a strategy that meets changing customer expectations and grows value for all our stakeholders, we must manage risks around an uncertain economic context, intensifying competition, and rapid technological change.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Changes in the economic context, competitive and technology landscape or in customer needs could impact our market share, revenue, profit, shareholder value and reputation. • Pursuing the wrong strategy or not having the strategy reflected in the business plan would impact our ability to compete in the market. • Not executing against the strategy could limit our ability to transform and create sustainable value over the long term.	• Extensive monitoring, research and analysis of economic, market, competitor and technology trends combined with listening and engaging with customers for meaningful trends and insights. • Ongoing investment in our networks, solutions and customer service to provide the best possible outcomes and experience for our customers. • Frequent *Executive Committee* and Board reviews of performance against strategic priorities and targets.
Example point risks in this category	**Example emerging risks in this category**
• Drop in consumer and business confidence as a result of the escalating geopolitical situation, pressure on the economy and cost of living and potential resurgence in Covid-19. • Slower than expected recovery in the enterprise and global markets adding pressure on revenue. • Increasing competition, particularly in the fixed infrastructure market.	• New disruptive technologies which substitute our networks/ products. • Significant changes in the market structure which could limit our ability to compete.

Stakeholder management	**Sponsor:** Corporate affairs director
What this category covers	
Stakeholder management is essential for us to achieve our ambition built on trust. We must listen, and communicate with our key stakeholder groups in a fair and transparent way, to establish and maintain strong, sustainable relationships.	
Key factors we consider in this category	**Some of the things we do to manage it**
• The management of our reputation and perceived trustworthiness is a broad topic, within which certain stakeholder relationships may require additional focus. • Ineffective management of stakeholders' expectations or failure to anticipate potential impacts upon them and the communities we serve might damage their trust in us. • Particularly sensitive topics considered include network plans, customer fairness, net neutrality, responsible use of technology, environment, social and governance factors, human rights and industrial relations.	• Media monitoring, evaluation and tracking our reputation across our main stakeholder groups to inform our plans. • Proactively engaging with key stakeholders to build stronger relationships, better understanding of risks and exploring more positive outcomes for BT Group in a fair and transparent way. • Centralised coordination of media, political and speaking engagements, and press releases and market announcements which are overseen by the *Disclosure Committee*. • Our Manifesto (see page 5) sets out our priorities and commitment to enabling growth through technology that is responsible, sustainable, and inclusive. This has Board-level governance provided by the *Digital Impact & Sustainability Committee*.
Example point risks in this category	**Example emerging risks in this category**
• Full fibre build commitments and rural connectivity. • Impact of inflation and cost of living on consumers. • Growing focus on the digital divide and its implications. • Managing the interests of all investors and giving due regard to all stakeholders.	• Climate change agenda and perceptions of our sector's role in carbon emissions. • Misinformation on 5G health concerns.

Financial

Financing	**Sponsor:** Chief financial officer
What this category covers	
We rely on cash generated by business performance supplemented by capital markets, credit facilities and cash balances to finance operations, pension scheme, dividends and debt repayment.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Financing is the risk that we cannot fund our business cash flows or meet our payment commitments. • This could be caused by not generating enough cash, inability to refinance existing debt, being unable to access capital markets, or a big increase in our pension scheme obligations.	• Regularly reviewing actual and forecast cash flow performance. • Undertaking treasury risk management processes, Board oversight, delegated approvals, and lender relationship management. • Performing regular viability assessments and conducting scenario analyses. • Analysing our pension schemes' funding position and investment performance regularly, negotiating funding valuations and reviewing de-risking opportunities.
Example point risks in this category	**Example emerging risks in this category**
• Market disruption and economic downturn caused by Covid-19 and the geopolitical situation. • Our credit rating being downgraded. • An increase in our pension deficit.	• Review of pension funding legislation and regulations, risking bigger pension liabilities or giving us less time to make deficit payments. • Future debt capital markets might not suit all our debt needs.

Financial control	**Sponsor:** Chief financial officer
What this category covers	
We have in place financial controls to prevent fraud (including misappropriation of assets) and to report accurately; failure to do this could result in material financial losses or cause us to misrepresent our financial position, undermining trust and damaging our reputation.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Our financial controls provide financial planning and budgetary discipline, transaction processing efficiency, and reporting accuracy while reducing the risk of fraud, leakage and errors. • We could fail to apply the correct accounting principles and treatment in producing the income statement, balance sheet and equity statement which could result in financial misstatement, fines, legal disputes and damage our reputation. • Failure to apply appropriate tax processes could result in BT Group missing its tax compliance or reporting obligations and facing challenge and fines from tax authorities.	• Maintaining an internal controls framework with clear accountability and delegations across the three lines of defence. • Performing quarterly control attestations. • Conducting annual testing covering all key controls, including relevant IT general controls. • Tax risk management processes and training. • Continuing to enhance processes, systems, controls, and the operating model, for instance by investing in enterprise-wide platforms to deliver improved and automated accounting and controls.
Example point risks in this category	**Example emerging risks in this category**
• Failing to simplify and modernise our finance processes and operating model could make it harder for us to be agile, proactive and customer centric. • Sophisticated or cumulative low-level fraud schemes could remain undetected. • Impact of complex legacy systems on our internal controls. • Complex and changing international tax regulations and requirements from different tax authorities.	• Changes to controls framework requirements resulting from changes in regulation and legislation. • Opportunities and risks associated with Robotic Process Automation applied to financial controls. • Higher propensity for fraudulent behaviour caused by increasing cost of living.

Compliance

Communications regulation	**Sponsor:** General counsel, company secretary & director regulatory affairs
What this category covers	
We work with key regulators as they define, clear, predictable, and proportionate regulations that protect customers and society while ensuring service providers can compete fairly. We then must work in compliance with these regulations, maintain trust and strong relationships while delivering on our vision and sustainable value growth.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Areas of non-compliance, or weak controls could result in increased regulatory challenge and formal investigations which could lead to reputational damage, fines and/or loss of licences. • Strained regulatory relationships reduce our ability to influence regulatory decisions which could position BT Group at a disadvantage relative to competitors. • Unsupportive regulation could impact our ability to invest at pace and scale in our full fibre rollout, 5G, and converged connectivity; and restrict our ability to innovate whilst doing so. • Key areas that could result in regulatory scrutiny include billing accuracy, major system resilience, customer complaints, support for vulnerable customers, migration away from legacy services, and effectiveness dealing with major incidents.	• Proactively engaging with our regulators at different levels and on different policy topics. • Ensuring fairness in customer experiences, for example when moving customers on to our new networks and interacting with vulnerable customers. • Maintaining processes so that we follow regulations carefully, building trust and enabling positive future dialogue with policymakers. • Making sure the Commitments are always front of mind for all colleagues, including training those in high-risk roles. • Supplying timely and accurate information to our regulators where required.
Example point risks in this category	**Example emerging risks in this category**
• Inability to demonstrate compliance to new commitments and regulations such as customer fairness. • The regulatory environment shifts to favour or support expansion of new market participants. • Challenges in shutting down our legacy networks.	• Regulation not keeping pace with the changing economics in the value chain affecting our ability to compete.

Data	**Sponsor:** Chief digital and innovation officer
What this category covers	
Our data strategy seeks to create value and enable efficiency while providing a robust framework for data governance and regulatory compliance. We must ensure the entire organisation follows applicable data regulations while anticipating and adequately preparing for future ones.	
Key factors we consider in this category	**Some of the things we do to manage it**
• We must be vigilant in protecting all types of data including high volumes of sensitive customer data, colleague and personal data. All must all be appropriately risk assessed, classified and managed. • Failing to comply with global data protection laws or regulations that apply to us could damage our reputation, affect our stakeholders' trust in us and harm our colleagues, customers and suppliers. • It also means that we could face potential litigation and fines and penalties.	• Continuously operating and enhancing our data governance programme to tackle existing and future data regulatory risks. • Reviewing the use of personal data across the business to make sure our data protection policies are followed. • Running data protection and data handling training, and providing tools to help our colleagues make better, more risk aware day-to-day decisions. • Monitoring the post-Brexit regulatory landscape and making contingency plans to keep data flowing where it's needed.
Example point risks in this category	**Example emerging risks in this category**
• The UK losing data adequacy status from the EU. • Preventing data loss in remote working environments. • Complying with data protection laws and regulations, while seeking innovative uses for data.	• Changes to data protection laws and regulations that apply to us wherever we operate. • Increased regulatory focus on governance and ethics around data propositions and processes.

Legal compliance	**Sponsor:** General counsel, company secretary & director regulatory affairs
What this category covers	
We seek to remain compliant with all substantive laws. Key areas of compliance activity surround laws relating to anti-bribery and corruption, competition, trade sanctions, export controls and corporate governance obligations.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Serious breaches of legal compliance can take place in many forms and can arise anywhere including but not limited to higher risk regions, countries and transactions as well as on complex matters and those where there is high pressure to deliver. • Serious breaches could lead to prosecution, litigation or to a regulator stepping in, all of which might lead to fines or affect our ability to operate, especially if the breaches were deemed criminal and could adversely impact our reputation. • This means, where appropriate, we take bold, evidenced, and defensible decisions around how we comply to applicable laws while empowering the business to take advantage of commercial opportunities.	• Through our code we foster a culture where colleagues know the standards expected and can speak up if something's not right. • Assessing risks regularly when providing legal or compliance advice on strategic projects, signing new business, and commercial operations. • Scanning the horizon to prepare for legislative changes and developing policies to address them. • Providing training to colleagues so they know where legal and compliance risks come from, and how to handle them or to get expert help to handle them. • Carrying out monitoring and assurance on day-to-day operations, regions, partners, projects, and suppliers. Anomalies are investigated and remedied with learnings shared, where appropriate.
Example point risks in this category	**Example emerging risks in this category**
• Rapidly changing international trade sanctions arising due to Russia's invasion of Ukraine. • New technologies being exploited in multiple countries. • Working with third parties in multiple jurisdictions.	• Changes to existing or potential new laws which may be put in place in response to geopolitical dynamics (for example new trade sanctions) or to address concerns in a particular area of law.

Financial services	**Sponsor:** CEO, Consumer
What this category covers	
BT Group has had very limited exposure to financial services regulation, but it recently launched, through EE, a mass-market proposition regulated by the FCA. This is expected to scale-up and broaden out in the coming years. As such EE must meet all applicable FCA principles, rules and requirements.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Our products, services and activities including those provided by subsidiaries, local business partners and franchisees could lead to poor outcomes for customers. • Establishing new organisational and operational capabilities that understand, interpret, and manage compliance with regulatory requirements to enable launch of new FCA regulated services. • Operating outside FCA rules, requirements, or permissions could lead to customer harm, fines, loss of FCA permissions, poor adoption of new services and broader reputational damage.	• Operate a second line compliance team to provide support and oversight. • Review and update relevant policies and standards annually with controls implemented into operational procedures. • Mandatory colleague training of relevant FCA and other regulatory requirements aligned to job roles. • Operate a breach reporting process to review, investigate and report events within required timelines. • Undertake new and existing financial services product reviews and financial product promotion reviews as part of the development cycle and annually thereafter. • Horizon scanning and interpretation of new regulatory requirements, maintaining regular communication with the regulator. • Applying a proportionate governance framework to provide clear responsibility, accountability and reporting.
Example point risks in this category	**Example emerging risks in this category**
• Project resources and operational capability to deliver planned rollout of compliant financial service products. • Organisation design to support financial services strategy across BT Group. • Additional operational requirements expected from new FCA requirements around Consumer Duty.	• Potential changes to regulatory perimeter relating to Buy Now Pay Later and short term interest free credit.

Operational

Service interruption	**Sponsor:** Chief technology officer
What this category covers	
Our aim is to deliver best in class network performance across fixed and mobile networks and IT. This involves managing all risks that could disrupt the services we provide.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Service interruptions may be caused by various external factors such as, but not limited to, adverse weather conditions and accidental or intentional damage to our assets. • The impact of poorly planned or executed maintenance and upgrade changes on our networks and IT can contribute to service interruptions. • Some service interruptions may depend on the reliability of our suppliers and partners, highlighting the importance of selecting the right partners and maintaining effective relationships. • The quality of our incident response and recovery helps us minimise the effect of service interruptions. A risk-based approach is needed to minimise customer impacts (for example prioritising essential services).	• Continuous capacity planning, asset lifecycle management, monitoring of our network, assets and services. • Responding quickly and professionally to incidents and reducing their impact through geographically dispersed emergency response teams while communicating effectively with customers. • Comprehensive testing and change management processes. • Regularly conducting business impact assessments that feed into business continuity and disaster recovery plans which are tested and kept up to date. • Operational planning to improve network and IT resilience, including our ability to mitigate for a greater frequency of more severe weather events.
Example point risks in this category	**Example emerging risks in this category**
• Global shortage of silicon chips and other key components affected by Covid-19 and geopolitics. • Managing service impacts of wider strategic decisions to alter the makeup of vendors (for example adapting to governmental decisions around Huawei). • Ability to transform BT Group and our technology without disrupting service to our customers.	• Longer term climate change causing increased frequency and severity of flooding across the UK, impacting service reliability.

Cyber security	**Sponsor:** Chief technology officer
What this category covers	
Our aim is to protect BT Group, our colleagues and our customers from harm and financial loss caused by cyber security events. We adapt our security posture and controls accordingly to detect and respond robustly to the evolving threat.	
Key factors we consider in this category	**Some of the things we do to manage it**
• As a provider of critical national infrastructure, a cyber-attack could lead to disruption for our customers and the country and data could be compromised. • A poorly managed cyber event could lead to financial loss and reputational harm followed by a sustained loss of market share and could prompt intervention by a regulator who could impose fines or penalties. • Failure to live up to regulatory, customer and other stakeholder expectations related to cyber security could weaken our reputation in the marketplace.	• Implementing best practice security policies, tools and processes to protect our applications, systems and networks. • Monitoring external threats and gathering intelligence on evolving cyber techniques, tactics, and capabilities. • Maintaining a vigilant security posture to quickly detect and respond to cyber risks before they become incidents. • Promoting good security 'hygiene' and behaviour in our colleagues, through communications, campaigns and training. • Continuing to invest in our cyber defences and security tooling, fostering effective partnerships with industry, government and customers, and empowering our first line of defence to discharge their responsibilities.
Example point risks in this category	**Example emerging risks in this category**
• Cyber-attacks from nation states, including Russia, targeting critical national infrastructure. • Being exposed to suppliers with security vulnerabilities. • Relying on externally hosted cloud services. • Requirement to comply with the Telecommunications (Security) Act 2021.	• AI and machine learning being weaponised as security threats. • Growing numbers of connected home devices need more focus on protecting customers.

Transformation delivery	**Sponsor:** Chief financial officer
What this category covers	
We are accelerating transformation delivery to build a simpler, more efficient and dynamic BT Group through radically modernising and simplifying our IT architecture; simplifying and refining our product portfolio; migrating to next-generation strategic networks; unlocking cost efficiencies by implementing better, more agile ways of working; being customer-obsessed and redefining our digital journeys, automating our processes and using AI capabilities.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Failing to deliver our externally communicated transformation ambitions will adversely impact our efficiency, financial performance, and customer experience while impacting reputation. • Our challenge is to simplify and modernise our product portfolio, reduce dependence on out-of-date products and deliver smart, differentiated solutions and outcomes. • Transforming our customer journeys reduces the risk of us being a laggard on customer and colleague experiences, ensuring we are providing outstanding digital channels, services and experiences. • Delivering automated, digitised and AI driven processes reduces the risk of us not being able to realise efficiencies and reduce the cost base. • Shutting down legacy IT and migrating customers onto strategic networks allows us to operate on modern digital platforms and be the market leader in FTTP and 5G.	• We are reinvesting in building digital and data capability, to reduce costs and drive revenue growth - ensuring that we have the right resources to deliver change effectively. • Having a strong governance model with clear ownership by senior leaders of the operational and financial outcomes that need to be delivered. • Robust tracking and reporting using financial and non- financial measures to make sure we generate value. • Quarterly performance governance model to ensure funding is being prioritised to those programmes delivering the most strategic value. • Collaborating across the group in a way that properly reflects our customers' end-to-end journeys.
Example point risks in this category	**Example emerging risks in this category**
• Delivery of enablers such as strategic architecture. • Managing complex interdependencies and the migration of the final customers in order to close legacy IT and networks. • Delivering the volume of change at pace whilst remaining focussed on reducing the cost base.	• Changing external environment impacting the size, scale and speed of transformation required to deliver our strategy.

People	Sponsor: HR director
What this category covers	
Our colleagues are central to delivering our ambition and our people strategy aims to enable a culture where everyone can be their best. This means we must manage risk around our organisational structure, skills and capabilities, engagement and culture, wellbeing and the diversity of our workforce.	
Key factors we consider in this category	**Some of the things we do to manage it**
• To attract and retain the right talent in the right places for an organisation as large and complex as BT Group, we need to have effective strategic workforce planning. • Day-to-day people management activities include managing a high quantum of recruitment, onboarding and terminations, processing payroll and provisioning access to relevant training and development opportunities. • Failure to engage the workforce, ensure their health and wellbeing, manage industrial relations and create a diverse and inclusive workplace could impact our performance, customer service and transformation ambitions.	• A group people strategy underpinned by a workforce plan. • Aligned performance goals and performance management review processes cascaded through clear organisation structures, roles, and job descriptions. • Skills and capabilities assessment, investing in group-wide workforce and talent planning, providing wellbeing support and unlimited training and development, with both role-specific and future skills in mind and a succession planning process. • A D&I strategy to raise awareness, address bias and promote People Networks and support. • Listening to colleagues through employee engagement and surveys, town halls or social platforms, and maintaining close relationships with formal employee representative groups and unions. • Providing fair, competitive, and sustainable remuneration to colleagues that promotes smart risk taking, supports engagement and retention and aligns colleagues' interests with those of shareholders.
Example point risks in this category	**Example emerging risks in this category**
• Social disruption and challenges around post-pandemic return to workplaces. • Skills gaps arising from changes towards a digital organisation. • Widening gap between cost of living and wage inflation potentially leading to industrial action.	• Long-term social and workplace changes. • Growing colleague activism on social or environmental topics.

Health, safety and environment	Sponsor: Chief technology officer
What this category covers	
BT Group has diverse operations in various locations and working environments that can pose a health, safety and environment risk to our colleagues, partners, or the public. We have a duty of care to make sure our colleagues and partners are safe and healthy, and perform at their best while managing hazards that could cause harm.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Certain high hazard operations such as occupational road risk, working with high voltage electricity, electro-magnetic fields, lasers, aerial rigging, civil engineering works (road works and construction), highway and railway operations, high pressure pipelines, manual handling and hazardous substances. • Not promoting and embedding suitable safety management and environmental management systems incorporating continual improvement will impact our ability to establish and maintain a safe and compliant business, protecting our colleagues at work. • Ineffective health and safety and environmental standards could result in legal and financial penalties, subsequent reputational and commercial damage with the potential to restrict future enterprise projects.	• Group Policy Statements which are underpinned by minimum standards, and a safety framework, which are reflected in our code. • Training our colleagues and ensuring they are clear on their role and accountabilities with regards to health, safety and environmental practices. • Monitoring our colleagues' health and safety through surveys and focus groups, supported by a dedicated portal. • Using an electronic incident reporting system to monitor and evaluate our performance on health and safety.
Example point risks in this category	**Example emerging risks in this category**
• Covid-19 related risks. • Civil and construction work supporting fibre roll-out. • Inspection and replacement programme for defective telegraph poles. • Keeping our sites clean, tidy and environmentally safe.	• The long-term health effects of lengthy periods of social restriction and limited mobility as we emerge from the pandemic. • Future compliance with developing regulation related to commercial use of drones.

Major customer contracts	Sponsor: Chief executive
What this category covers	
BT Group offers and delivers a diverse mix of major contracts that contribute to our business performance and growth. These include winning and retaining major private and public sector contracts in a highly competitive and dynamic environment, while navigating customer relationships and risk around complex agreements, delivering highly sensitive, critical, or essential services globally.	
Key factors we consider in this category	**Some of the things we do to manage it**
• BT Group's strategy, products, services and target markets must align with the needs of our major customers to pursue and win new customer contracts in a dynamic and fiercely competitive environment. • Customer contractual terms can be onerous and unfavourable if they are challenging to meet, and could lead to delays, penalties, and disputes. This is particularly prevalent in public sector contracts. • Delivery and service failures against obligations and commitments could damage our brand and reputation, particularly if they affected critical infrastructure contracts or security and data protection services. • Failure to effectively manage contract exits, migrations, renewals and disputes can erode profit margins and affect future customer relationships.	• A clear governance framework to assess new business opportunities, manage the bid process, and monitor in-life contract risks. • As part of the bid process, non-standard unfavourable terms and conditions are assessed and mitigations put in place where appropriate. • A cycle of regular contract reviews led by senior management and a separate review team. • Using advanced contract and obligation management tools to support frontline contract managers.
Example point risks in this category	**Example emerging risks in this category**
• Customer investment and procurement delays due to Covid-19, macro-economic and geopolitical conflicts. • Specific project execution especially when involving complex, sensitive, or new technologies.	• Inability to pivot if macroeconomic factors affect government and other customers' IT budgets. • Legislative changes to be made to procurement regulations following Brexit.

Customer service	Sponsor: CEO, Consumer
What this category covers	
Our aim is to provide our customers with stand out service so we can build personal and enduring relationships while taking extra care with our vulnerable customers. We aim to maintain customer satisfaction while continuing to migrate customers from legacy products to newer products and services, while maintaining billing accuracy.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Failing to continuously digitise and improve our customer experience could negatively affect customer satisfaction and retention, colleague pride and advocacy, our group revenues and brand value. • Central to this is being accurate and competitive with our pricing, billing, and collection, managing the lifecycle of all our products and services, managing inventory and supply chain, and operating in compliance with customer obligations and product and service standards. • We must also take particular care for vulnerable customers and handle customer complaints empathetically.	• Delivering on our promises about the service levels customers should expect from us and tracking a range of customer experience performance metrics. • Planning with all our suppliers how we'll manage ongoing relationships and risks (for example the impact of a potential future pandemic resurgence). • Piloting schemes and testing customer equipment to minimise the impact of new hardware, services or platforms. • Making sure we won't be short on key skills by following a colleague retention and skills development plan.
Example point risks in this category	**Example emerging risks in this category**
• Ability to fully migrate from legacy services to new service platforms. • Challenges in retaining and recruiting current and future skill sets.	• Long-term changes in customer needs and expectations.

Supply management	**Sponsor:** Chief financial officer
What this category covers	
The successful selection, onboarding and in-life management of suppliers is essential to our delivery of quality products and services. We use a large quantum of suppliers and must make decisions on concentration, capability, resilience, security, costs and broader issues that could impact our reputation.	
Key factors we consider in this category	**Some of the things we do to manage it**
• Our reputation is entrusted to our suppliers. We must make sustainable and strategic sourcing decisions that affect the value and quality of the products and services we provide to our customers. • As such, we must select and onboard the right suppliers across a spectrum of decision criteria including financial, operational, security, environmental, ethical, diversity and reputational perspectives. • This risk includes in-life management of complex contracts, performance and obligation delivery, compliance, payments, supplier records and relationship management.	• A sourcing strategy with different approaches by category, standard terms and conditions and controls to ensure purchase decisions are made efficiently and effectively. • Comprehensive supplier due diligence process, contract management, on-boarding and in-life assessment systems. • Supplier risk management, performance monitoring, renewals, and terminations processes. • Demand planning and forecasting, inventory management and stock counts to ensure supplies are available as needed. • Assurance over whether the goods and services we buy are made, delivered, and disposed of in a responsible way including monitoring energy use, labour standards and environmental, social and governance impacts.
Example point risks in this category	**Example emerging risks in this category**
• Inflationary pressure through the entire supply chain. • Disruption due to worldwide shortages of critical supplies driven by Covid-19, geopolitics or other localised events. • Resilience and market power of single-source vendors. • Supplier-related cyber and data security threats.	• Being sure of ethical business practices across our whole supply chain. • Reliance and exposure to China market volatility and geopolitics.

11. Post balance sheet events

Sports joint venture

In May 2022, we reached an agreement with Warner Bros. Discovery (Discovery) to create a sports joint venture (JV) combining BT Sport and Discovery's Eurosport UK business into a separate legal entity with both BT and Discovery each holding a 50% interest and equal voting rights. The production and operational assets of BT Sport will transfer to, and become a wholly owned subsidiary of, Discovery who will manage and operate the production and distribution of the sport content. Discovery will have the option to acquire BT's 50% interest in the JV at specified points during the first four years of the JV. At completion of the transaction, BT is expected to lose control of the BT Sport operations and the group's interest in the combined business is expected to be classified as a Joint Venture. BT will enter into a distribution agreement with the JV to procure the sport content required to continue to supply our existing broadband, TV and mobile customers. BT's agreement with the JV will extend beyond 2030, and for the first four years includes a minimum revenue guarantee of approximately £500m per annum, after which the agreement will change to a fully variable arrangement.

The transaction is subject to regulatory approval, but it is expected to conclude by the end of 2022. The transaction meets the held for sale criteria per IFRS 5 and accordingly the asset and liabilities of the BT Sport disposal group have been classified as held for sale at 31 March 2022.

Additional Information

Notes

Our commentary focuses on the trading results on an adjusted basis, which is a non-GAAP measure, being before specific items. The directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance as specific items are those that in management's judgement need to be disclosed by virtue of their size, nature or incidence. This is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a meaningful analysis of the trading results of the Group. In determining whether an event or transaction is specific, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence. Reported revenue, reported operating profit, reported profit before tax, reported net finance expense and reported EPS are the equivalent unadjusted or statutory measures. Reconciliations of reported to adjusted revenue, operating costs, operating profit, profit before tax and EPS are set out in the Group income statement. Reconciliations of adjusted earnings before interest, tax, depreciation and amortisation, net debt and free cash flow from the nearest measures prepared in accordance with IFRS are provided in this Additional Information.

Reconciliation of earnings before interest, tax, depreciation and amortisation

Earnings before interest, tax, depreciation and amortisation (EBITDA) is not a measure defined under IFRS, but is a key indicator used by management to assess operational performance. We consider EBITDA and adjusted EBITDA to be useful measures of our operating performance because they approximate the underlying operating cash flow by eliminating depreciation and amortisation. A reconciliation of reported profit for the period to EBITDA and adjusted EBITDA is provided below.

	Full year to 31 March	
	2022 **£m**	2021 £m
Reported profit for the year	**1,274**	1,472
Tax	**689**	332
Reported profit before tax	**1,963**	1,804
Net interest related finance expense	**813**	773
Depreciation and amortisation	**4,405**	4,347
EBITDA	**7,181**	6,924
EBITDA specific items	**287**	481
Net other finance expense	**109**	18
Share of post tax (profits) losses of associates and joint ventures	**—**	(8)
Adjusted[1] EBITDA	**7,577**	7,415

[1] See Glossary on page 3.

Normalised free cash flow

Normalised free cash flow is one of the Group's key performance indicators by which our financial performance is measured. It is primarily a liquidity measure. However, we also believe it is an important indicator of our overall operational performance as it reflects the cash we generate from operations after capital expenditure and financing costs, both of which are significant ongoing cash outflows associated with investing in our infrastructure and financing our operations.

Normalised free cash flow is defined as free cash flow (net cash inflow from operating activities after net capital expenditure) after net interest paid and payment of lease liabilities, before pension deficit payments (including their cash tax benefit), payments relating to spectrum, and specific items. For non-tax related items the adjustments are made on a pre-tax basis. It excludes cash flows that are determined at a corporate level independently of ongoing trading operations such as dividends, share buybacks, acquisitions and disposals, and repayment and raising of debt.

Normalised free cash flow is not a measure of the funds that are available for distribution to shareholders.

A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to free cash flow and normalised free cash flow, is set out below.

	Full year to 31 March	
	2022 **£m**	2021 £m
Cash generated from operations	**5,962**	6,251
Tax paid	**(52)**	(288)
Net cash inflows from operating activities	**5,910**	5,963
Net purchase of property, plant and equipment and intangible assets	**(4,607)**	(4,818)
Free cash flow[1]	**1,303**	1,145
Interest received	**6**	6
Interest paid	**(755)**	(770)
Add back pension deficit payments	**1,121**	955
Remove cash tax benefit of pension deficit payments	**—**	(181)
Dividends from associates	**1**	5
Add back net cash flow from specific items	**606**	390
Add back net sale of non-current asset investments	**(8)**	(11)
Add back refund of prepayment in respect of spectrum licence auction	**(223)**	702
Remove payment of lease liabilities	**(659)**	(782)
Normalised free cash flow[1]	**1,392**	1,459

[1] See Glossary on page 3.

Net debt and net financial debt

Net debt is not a measure defined under IFRS but is a key indicator used by management to assess both the Group's cash position and its indebtedness. A reconciliation from loans and other borrowings, lease liabilities, cash and cash equivalents, and current asset investments, the most directly comparable IFRS measures, to net debt, is set out below.

	31 March 2022	31 March 2021
	£m	£m
Loans and other borrowings	**16,185**	16,685
Lease liabilities	**5,760**	6,152
Net liabilities classified as held for sale	**2**	—
Cash and cash equivalents	**(777)**	(1,000)
Current asset investments	**(2,679)**	(3,652)
	18,491	18,185
Adjustments:		
To retranslate debt balances at swap rates where hedged by currency swaps[1]	**(234)**	(142)
To remove fair value adjustments and accrued interest applied to reflect the effective interest method[2]	**(248)**	(241)
Net debt[3]	**18,009**	17,802
Lease liabilities	**(5,760)**	(6,152)
Lease liabilities classified as held for sale	**(2)**	—
Net financial debt	**12,247**	11,650

[1] The translation difference between spot rate and hedged rate of loans and borrowings denominated in foreign currency.
[2] Includes remaining fair value adjustments made on certain loans and other borrowings and accrued interest at the balance sheet date.
[3] See Glossary on page 3.

Reconciliation of year on year trends in adjusted earnings before interest, tax, depreciation and amortisation

Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is not a measure defined under IFRS, but is a key indicator used by management to assess operational performance. Adjusted EBITDA is defined as EBITDA before specific items, share of post tax profits/losses of associates and joint ventures and net non-interest related finance expense.

A reconciliation of the trends in EBITDA to adjusted EBITDA is provided below.

	Full year to 31 March
	%
Increase (decrease) in reported EBITDA	**3.7**
EBITDA specific items	**(2.8)**
Other finance expense	**1.2**
Share of post tax losses (profits) of associates and joint ventures	**0.1**
Increase (decrease) in adjusted[1] EBITDA	**2.2**

[1] See Glossary on page 3.

Cautionary statement regarding forward-looking statements

Certain information included in this announcement is forward looking and involves risks, assumptions and uncertainties that could cause actual results to differ materially from those expressed or implied by forward looking statements. Forward looking statements cover all matters which are not historical facts and include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations. Forward looking statements can be identified by the use of forward looking terminology, including terms such as 'believes', 'estimates', 'anticipates', 'expects', 'forecasts', 'intends', 'plans', 'projects', 'goal', 'target', 'aim', 'may', 'will', 'would', 'could' or 'should' or, in each case, their negative or other variations or comparable terminology. Forward looking statements in this announcement are not guarantees of future performance. All forward looking statements in this announcement are based upon information known to the Company on the date of this announcement. Accordingly, no assurance can be given that any particular expectation will be met and readers are cautioned not to place undue reliance on forward looking statements, which speak only at their respective dates. Additionally, forward looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. Other than in accordance with its legal or regulatory obligations (including under the UK Listing Rules and the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority), the Company undertakes no obligation to publicly update or revise any forward looking statement, whether as a result of new information, future events or otherwise. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

About BT

BT Group is the UK's leading provider of fixed and mobile telecommunications and related secure digital products, solutions and services. We also provide managed telecommunications, security and network and IT infrastructure services to customers across 180 countries.

BT Group consists of four customer-facing units: Consumer serves individuals and families in the UK; Enterprise and Global are our UK and international business-focused units respectively; Openreach is an independently governed, wholly owned subsidiary, which wholesales fixed access infrastructure services to its customers - over 650 communication providers across the UK.
British Telecommunications plc is a wholly-owned subsidiary of BT Group plc and encompasses virtually all businesses and assets of the BT Group. BT Group plc is listed on the London Stock Exchange.

For more information, visit www.bt.com/about.

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We will hold the fourth quarter and full year FY22 results call for analysts and investors in London at 10am today and a simultaneous webcast will be available at www.bt.com/results.

We expect to publish the BT Group plc Annual Report 2022 on 1 June 2022. The Annual General Meeting of BT Group plc will be held on 14 July 2022.

We are scheduled to announce the first quarter results for FY23 on 28 July 2022.