

BT Communications Services South Africa Proprietary Limited
(Registration number 2008/006072/07)
Annual Financial Statements
for the year ended 31 March 2022

brian thomas

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Bertrandt Delpont

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Legal Director - AMEA



BT Communications Services South Africa Proprietary Limited

(Registration number: 2008/006072/07)

Annual Financial Statements for the year ended 31 March 2022

General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	Supports multi-national ICT outsourcing contracts and provides local data and voice outsourcing solutions, global frame and MPLS services.
Directors	Khalid Abdulla Presantha Naidoo Brian Keith Thomas Chantelle AH Sing (Alternate director for Khalid Abdulla) Eyad Yassin Shihabi Valentine Colleta Dzvova Bertrandt Delport
Registered office	BT Building North Office Park 54 Maxwell Drive Woodmead 2191
Business address	BT Building North Office Park 54 Maxwell Drive Woodmead 2191
Postal address	Private Bag X203 Bryanston 2021
Holding company	BT Limited incorporated in United Kingdom
Ultimate holding company	BT Group plc incorporated in United Kingdom
Bankers	Standard Bank of South Africa Citibank N.A. South Africa (Branch of Citibank, N.A.)
Registered Auditors	PricewaterhouseCoopers Inc.
Company registration number	2008/006072/07
Level of assurance	These annual financial statements have been audited in compliance with the applicable requirements of the Companies Act of South Africa.
Preparer	The annual financial statements were externally compiled by: Joze Antonio Mestre Back 2 Basics Accounting and Taxation Services (Pty) Ltd
Published	24 March 2023

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Annual Financial Statements for the year ended 31 March 2022

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Annual Financial Statements for the year ended 31 March 2022

Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa, to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SME's). The external auditor is engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SME's) and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgments and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors of the company are responsible for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission.

The directors have reviewed the company's cash flow forecast for the year to 31 March 2023 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 6 - 8.

The external auditors were given unrestricted access to all financial records and related data, including minutes of all meetings of the shareholders and the board of directors. The directors believe that all representations made to the independent auditors during their audit are valid and appropriate.

The annual financial statements and the supporting schedules set out on pages 4 to 5 and 9 to 35, which have been prepared on the going concern basis, were approved by the board on 17/03/2023 and were signed on its behalf by:



Bertrand Delpont (Mar 17, 2023 13:46 GMT+2)

Director



brian thomas (Mar 16, 2023 12:55 GMT+2)

Director

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BT Communications Services South Africa Proprietary Limited

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Annual Financial Statements for the year ended 31 March 2022

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of BT Communications Services South Africa Proprietary Limited for the year ended 31 March 2022.

1. Incorporation

The company was incorporated on 06 March 2008 and obtained its certificate to commence business on the same day.

2. Nature of business

The company is engaged in the provision of support services for multi-national ICT outsourcing contracts, the provision of local data and voice outsourcing solutions, global frame and MPLS services. The company operates principally in South Africa.

There have been no material changes to the nature of the company's business from the prior year.

3. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SME's) and the requirements of the Companies Act of South Africa. The accounting policies have been applied consistently compared to the prior year.

Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements and do not in our opinion require any further comment.

Registered office and business address	BT Building North Office Park 54 Maxwell Drive Woodmead 2191
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Postal address	Private Bag X203 Bryanston 2021
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4. Share capital

There have been no changes to the authorised or issued share capital during the year under review.

5. Dividends

Given the current state of the global economic environment, the board believes that it would be more appropriate for the company to conserve cash and maintain adequate debt headroom to ensure that the company is best placed to withstand any prolonged adverse economic conditions. Therefore the board has resolved not to declare a dividend for the financial year ended 31 March 2022. (2021: Dividends of R 26,016,173 were declared and R 31,611,718 were paid to the shareholders). Unpaid dividends at year-end amounted to R 4,384,448 (2021: R 12,189,300). Refer to notes 11 and 22 for more information.

6. Share incentive scheme

Refer to note 13 of the annual financial statements for details of the company's share incentive scheme.

7. Secretary

The company had no secretary during the year.

8. Holding company

The company's holding company is BT Limited which holds 70% (2021 : 70%) of the company's equity. BT Limited is incorporated in the United Kingdom.

9. Ultimate holding company

The company's ultimate holding company is BT Group plc which is incorporated in the United Kingdom.

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Annual Financial Statements for the year ended 31 March 2022

Directors' Report

10. Directors

The directors in office at the date of this report are as follows:

Directors

Khalid Abdulla
Presantha Naidoo
Brian Keith Thomas
Chantelle AH Sing (Alternate
director for Khalid Abdulla)

Resigned on 06/08/2019. This
resignation is in the process of being
lodged with CIPC.

Eyad Yassin Shihabi
Valentine Colleta Dzvova
Bertrandt Delport

11. Directors' interests in contracts

During the financial year, no contracts were entered into which directors or officers of the company had an interest and which significantly affected the business of the company.

12. Events after the reporting period

The directors considered the impact that the reduction of the Companies income tax rate from 28% to 27% for companies with year-ends between 1 April 2022 and 31 December 2023 will have. It was assessed that it will only have an impact on the deferred tax balance, but that the amount would be insignificant or immaterial.

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

13. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors have given due consideration to the impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The directors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges the directors are of the view that the company has sufficient resources to continue as a going concern.

14. Auditor

PricewaterhouseCoopers Inc. continued in office as auditor for the company for 2022 in terms of the Companies Act of South Africa. The appointment for 2023 is yet to be approved.

15. Public Officer

The public officer of the company is Mohamed Shaik.
Address
BT Building North Office Park
54 Maxwell Drive
Woodmead
2191

16. Arbitration in process

BT Limited exercised its option to purchase the 30% shares held by Kilomix Investments (Pty) Ltd in BT Communications Services South Africa (Pty) Ltd and made an offer with an effective date of 1 June 2021. Kilomix Investments (Pty) Ltd disputes BT Limited's right to have exercised the option. The dispute is currently being resolved by way of arbitration.

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Independent auditor's report

To the Shareholders of BT Communications Services South Africa Proprietary Limited

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of BT Communications Services South Africa Proprietary Limited (the Company) as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa.

What we have audited

BT Communications Services South Africa Proprietary Limited's financial statements set out on pages 9 to 35 comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended;
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

PricewaterhouseCoopers Inc., 4 Lisbon Lane, Waterfall City, Jukskei View, 2090
Private Bag X36, Sunninghill, 2157, South Africa
T: +27 (0) 11 797 4000, F: +27 (0) 11 209 5800, www.pwc.co.za

Chief Executive Officer: L S Machaba

The Company's principal place of business is at 4 Lisbon Lane, Waterfall City, Jukskei View, where a list of directors' names is available for inspection.
Reg. no. 1998/012055/21, VAT reg.no. 4950174682.



Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled “BT Communications Services South Africa Proprietary Limited Annual Financial Statements for the year ended 31 March 2022”, which includes the Directors’ Report as required by the Companies Act of South Africa. Other information does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not



detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.

Director: J Rossouw

Registered Auditor

Johannesburg, South Africa

24 March 2023

BT Communications Services South Africa Proprietary Limited

(Registration number: 2008/006072/07)

Annual Financial Statements for the year ended 31 March 2022

Statement of Financial Position as at 31 March 2022

	Note(s)	2022 R	2021 R
Assets			
Non-Current Assets			
Property, plant and equipment	2	39,266,636	49,544,661
Intangible assets	3	101,546,148	110,708,255
Loans to group companies	7	171,257,970	167,577,250
Other financial assets	4	3,000,000	3,900,000
Deferred tax asset	5	5,734,132	12,105,353
		320,804,886	343,835,519
Current Assets			
Inventories	6	-	-
Trade and other receivables	8	698,186,893	664,632,249
Other financial assets	4	7,601,713	11,414,044
Current tax receivable		20,523,099	33,182,559
Cash and cash equivalents	9	203,554,160	90,253,866
		929,865,865	799,482,718
Total Assets		1,250,670,751	1,143,318,237
Equity and Liabilities			
Equity			
Share capital	10	117,000,700	117,000,700
Reserves		11,663,180	11,584,992
Retained income		972,298,529	825,811,902
		1,100,962,409	954,397,594
Liabilities			
Non-Current Liabilities			
Trade and other payables	11	3,518,750	7,946,166
Current Liabilities			
Trade and other payables	11	142,432,767	175,327,749
Provisions	12	3,756,825	5,646,728
		146,189,592	180,974,477
Total Liabilities		149,708,342	188,920,643
Total Equity and Liabilities		1,250,670,751	1,143,318,237

The accounting policies and notes on pages 13 to 35 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 31 March 2022

Statement of Comprehensive Income

	Note(s)	2022 R	2021 R
Revenue	15	871,615,769	1,116,870,884
Cost of sales		(668,413,679)	(866,511,696)
Gross profit		203,202,090	250,359,188
Operating expenses		(7,756,171)	(15,655,565)
Operating profit	16	195,445,919	234,703,623
Interest income received	17	7,992,348	1,104,299
Interest costs paid	18	-	(2,401,263)
Profit before taxation		203,438,267	233,406,659
Taxation	19	(56,873,452)	(65,496,587)
Profit for the year		146,564,815	167,910,072
Other comprehensive expenses	13	(78,188)	(237,541)
Total comprehensive income for the year		146,486,627	167,672,531

The accounting policies and notes on pages 13 to 35 form an integral part of the annual financial statements.

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Annual Financial Statements for the year ended 31 March 2022

Statement of Changes in Equity

	Share capital		Share premium		Total share capital		Share based payment reserve		Common control surplus reserve		Total reserves		Retained income		Total equity	
	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R	R
Balance at 01 April 2020	1,000	116,999,700		117,000,700		3,710,876		7,636,575		11,347,451		684,155,544		812,503,695		
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	167,672,531	-	167,672,531		
Other comprehensive income	-	-	-	-	-	237,541	-	-	-	237,541	-	-	-	237,541		
Total comprehensive income for the year	-	-	-	-	-	237,541	-	-	-	237,541	-	167,672,531	-	167,910,072		
Dividends	-	-	-	-	-	-	-	-	-	-	-	(26,016,173)	-	(26,016,173)		
Total changes	-	-	-	-	-	-	-	-	-	-	-	(26,016,173)	-	(26,016,173)		
Balance at 01 April 2021	1,000	116,999,700		117,000,700		3,948,417		7,636,575		11,584,992		825,811,902		954,397,594		
Profit for the year	-	-	-	-	-	-	-	-	-	-	-	146,486,627	-	146,486,627		
Other comprehensive income	-	-	-	-	-	78,188	-	-	-	78,188	-	-	-	78,188		
Total comprehensive income for the year	-	-	-	-	-	78,188	-	-	-	78,188	-	146,486,627	-	146,564,815		
Balance at 31 March 2022	1,000	116,999,700		117,000,700		4,026,605		7,636,575		11,663,180		972,298,529		1,100,962,409		
Note(s)	10	10		10		13		14								

The accounting policies and notes on pages 13 to 35 form an integral part of the annual financial statements.

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BT Communications Services South Africa Proprietary Limited

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Annual Financial Statements for the year ended 31 March 2022

Statement of Cash Flows

	Note(s)	2022 R	2021 R
Cash flows from operating activities			
Cash generated from (used in) operations	20	159,845,764	(26,520,892)
Interest income received	17	50,229	1,104,299
Interest costs paid	18	-	(2,401,263)
Tax paid	21	(37,842,769)	(79,096,808)
Net cash from / (used in) operating activities		122,053,224	(106,914,664)
Cash flows from investing activities			
Purchase of property, plant and equipment		(13,549,319)	(36,358,719)
Proceeds on sale of property, plant and equipment		7,888,910	21,626,954
New loans at amortised cost		(1,200,000)	(6,400,000)
Purchase of other financial assets		-	(1,800,000)
Proceeds on sale of other finance assets		5,912,331	10,200,000
Net cash used in investing activities		(948,078)	(12,731,765)
Cash flows from financing activities			
Dividends paid	22	(7,804,852)	(31,611,718)
Total cash and cash equivalents movement for the year		113,300,294	(151,258,147)
Cash and cash equivalents at the beginning of the year		90,253,866	241,512,013
Total cash and cash equivalents at the end of the year	9	203,554,160	90,253,866

The accounting policies and notes on pages 13 to 35 form an integral part of the annual financial statements.

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BT Communications Services South Africa Proprietary Limited

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Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities (IFRS for SME's), and the Companies Act of South Africa. The annual financial statements have been prepared on the historical cost basis and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Significant judgments and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make judgements, estimations and assumptions that effect the amounts represented in the annual financial statements and related disclosures. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results in the future could differ from these estimates which may be material to the annual financial statements.

Critical judgments in applying accounting policies

Management did not make critical judgments in the application of accounting policies, apart from those involving estimations, which would significantly affect the annual financial statements.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Financial assets measured at cost and amortised cost

The company assesses its financial assets measured at cost and amortised cost for impairment at each reporting date. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the company makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Intangible assets

Intangible assets are amortised over the useful life of each asset, are reviewed at each annual reporting period for impairment based on capacity usage of the assets. Management has exercised judgment in estimating the useful lives and residual values of intangible assets.

Options granted

Management used the Monte Carlo model to determine the value of the options at issue date. Additional details regarding the estimates are included in the note 13 - Share based payments.

Property, plant and equipment

The residual value, depreciation method and useful life of each asset and are reviewed at each annual reporting period. Management has exercised judgment in estimating the useful lives and residual values of assets.

Taxation

Judgment is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.1 Significant judgments and sources of estimation uncertainty (continued)

The company recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the company to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Long-term customer contracts

Long term customer contracts can extend over a number of years. During the contractual period recognition of costs and profits may be impacted by estimates of the ultimate profitability of each contract. If, at any time, these estimates indicate that any contract will be unprofitable the entire estimated loss of the contract is recognised immediately as an expense.

The company performs ongoing profitability reviews of its contracts in order to determine whether the latest estimates are appropriate.

Key factors reviewed include:

- Transaction volumes or other inputs affecting future revenues which may vary depending on customer requirements plans and market position and other factors such as general economic conditions;
- The company's ability to achieve key contract milestones connected with the transition, development transformation and deployment phases for customer contracts;
- The status of commercial relations with customers and the implication for future revenue and cost projections; and
- The company's estimates of future staff and third party costs and the degree to which cost savings and efficiencies are deliverable.

1.2 Property, plant and equipment

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others or for administrative purposes; and are expected to be used during more than one period.

Property, plant and equipment is carried at cost less accumulated depreciation and accumulated impairment losses.

Cost includes all costs incurred to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Cost include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit and loss during the period in which they were incurred.

Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment as follows:

Item	Average useful life
Leasehold property	3 - 7 years
Furniture and fixtures	10 years
Motor vehicles	5 years
Computer equipment	3 - 5 years
Network and telecommunications equipment	3 - 7 years

The residual value, depreciation method and useful life of each asset are reviewed at each annual reporting period and are adjusted prospectively, if appropriate, if there are indicators present that there has been a significant change from the previous estimate. Management has exercised its judgment in estimating the useful lives and residual values of assets.

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BT Communications Services South Africa Proprietary Limited

(Registration number: 2008/006072/07)

Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.2 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item and have significantly different patterns of consumption of economical benefits is depreciated separately over its useful life from when the asset is ready for use.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss in the period.

1.3 Intangible assets

Intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date if there are indicators present that there is a change from the previous estimate.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Indefeasible right of use	20 years

1.4 Financial instruments

Initial measurement

Financial instruments are initially measured at the transaction price. This includes transaction costs, except for financial instruments which are measured at fair value through profit or loss.

Financial instruments at amortised cost

Debt instruments, as defined in the standard, are subsequently measured at amortised cost using the effective interest method. Debt instruments which are classified as current assets or current liabilities are measured at the undiscounted amount of the cash expected to be received or paid, unless the arrangement effectively constitutes a financing transaction. These include trade and other receivables, loans and trade and other payables. At the end of each reporting period date, the carrying amounts of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

Financial instruments at fair value

All financial instruments that do not fall into the categories designated below are measured at the fair value through profit or loss.

Loans to (from) group companies

These include loans to and from holding companies and fellow subsidiaries and are recognised initially at fair value plus direct transaction costs. These loans are subsequently measured at amortised cost using the effective interest rate method.

Loans to group companies are classified as financial assets measured at amortised cost.

Loans from group companies are classified as financial liabilities measured at amortised cost.

Other Financial Assets

Investments classified as other financial assets are measured at the fair value through profit or loss.

Loans classified as other financial assets are measured at amortised cost.

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Accounting Policies

1.4 Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, demand deposits and other short-term highly liquid investments with original maturities of three months or less. Bank overdrafts are shown in current liabilities on the statement of financial position.

Trade and other receivables

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Most sales are made on the basis of normal credit terms and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortised cost using the effective interest rate method. At the end of each reporting period, the carrying amount of the trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognised immediately in profit or loss.

Trade and other payables

Trade payables are recognised initially at the transaction price and subsequently measured at the amortised cost using the effective interest rate method.

Trade payables are obligations on the basis of normal credit terms and do not bear interest. Trade payables denominated in a foreign currency are translated into South African Rands using the exchange rate at the reporting period date. Foreign exchange gains and losses are included in other income or operating expenses.

1.5 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

The tax liability reflects the effect of the possible outcomes of a review by the tax authorities.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on the same taxable entity where there is an intention to settle the balances on a net basis.

Tax expenses

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the profit and loss, except for a charge attributable to an item of income or expense recognised in other comprehensive income or as equity, in which case it is recognised directly in other comprehensive income or equity.

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Accounting Policies

1.6 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership to the lessee. All other leases are operating leases.

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease liability. The liability is not discounted.

1.7 Inventories

Inventories are measured at the lower of cost and net realisable value which is the selling price less costs to complete and sell, on the first-in, first-out (FIFO) basis. The cost of inventories comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to the lower of cost and net realisable value; the impairment loss is recognised immediately in profit and loss.

1.8 Impairment of assets

The company assesses at each reporting date whether there is any indication that an asset may be impaired.

If there is any such indication, that an asset may be impaired, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset (or group of related assets) is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset (or group of assets) in prior years. A reversal of impairment is recognised immediately in profit or loss.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are classified as equity.

1.10 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods are received or as the services are rendered. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions, the goods or services received, and the corresponding increase in equity, are measured directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instrument granted.

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Accounting Policies

1.10 Share based payments (continued)

If the share based payments granted do not vest until the counterparty completes a specified period of service, the company accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

For share-based payment transactions in which the terms of the arrangement provide either the entity or the counterparty with the choice of whether the entity settles the transaction in cash (or other assets) or by issuing equity instruments, the components of that transaction are recorded, as a cash-settled share-based payment transaction if, and to the extent that, a liability to settle in cash or other assets has been incurred, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as leave pay and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employee renders services that increases their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense where there is a legal or constructive obligation to make such payments as a result of a past performance.

Defined contribution plans

A defined contribution plan is a plan under which the company pays fixed contributions to a separate entity. Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. The company has no further obligations once the contributions have been paid.

Share-based compensation

The group operates an equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the parent entity. The fair value of the employee services received is measured by reference to the estimated fair value at the grant date of equity instruments granted and is recognised as an expense over the vesting period. The estimated fair value of the option granted is calculated using the Monte Carlo pricing model. The total amount of expenses is recognised over the vesting period, which is the period over which all the specified vesting conditions are to be satisfied.

1.12 Provisions and contingencies

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event; it is probable that the company will be required to transfer economic benefits in settlement; and the amount of the obligation can be estimated reliably.

Provisions are measured at the present value of the amount expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Contingent assets and contingent liabilities are not recognised.

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Accounting Policies

1.13 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and value added tax.

Equipment sales

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Long-term contractual arrangements

Revenue from long term contractual arrangements is recognised based on the stage of completion method. The stage of completion is estimated using an appropriate measure according to the nature of the contract. If the performance pattern is other than straight line, revenue is recognised as services are provided, usually on an output or consumption basis. For fixed price contracts, including contracts to design and build software solutions, revenue is recognised by reference to the stage of completion, as determined by the proportion of costs incurred relative to the estimated total contract costs, or other measure of completion such as the achievement of contract milestones and customer acceptance. In the case of time and materials contracts, revenue is recognised as the service is rendered.

Costs related to delivering services under long-term contractual arrangements are expensed as incurred. Elements of costs incurred in the initial set up, transition or transformation phase of the contract are also expensed.

Interest received

Interest is recognised, in profit or loss, using the effective interest rate method.

1.14 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

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Annual Financial Statements for the year ended 31 March 2022

Accounting Policies

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in the functional currency of the company, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of each reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised in other comprehensive income or directly in equity, any exchange component of that gain or loss is recognised in other comprehensive income or directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

1.16 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the company's directors.

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

2. Property, plant and equipment

	2022			2021		
	Cost	Accumulated depreciation	Carrying value	Cost	Accumulated depreciation	Carrying value
Furniture and fixtures	3,398,525	(2,730,991)	667,534	9,480,938	(9,073,758)	407,180
Computer equipment	3,435,189	(2,438,092)	997,097	5,348,695	(4,049,387)	1,299,308
Network and telecommunications equipment	111,680,330	(76,052,317)	35,628,013	113,589,976	(68,789,062)	44,800,914
Leasehold property	5,059,293	(3,085,301)	1,973,992	4,994,252	(1,956,993)	3,037,259
Total	123,573,337	(84,306,701)	39,266,636	133,413,861	(83,869,200)	49,544,661

Reconciliation of property, plant and equipment - 2022

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	407,180	486,804	-	(226,450)	667,534
Computer equipment	1,299,308	133,819	-	(436,030)	997,097
Network and telecommunications equipment	44,800,914	13,274,141	(7,888,910)	(14,558,132)	35,628,013
Leasehold property	3,037,259	65,041	-	(1,128,308)	1,973,992
	49,544,661	13,959,805	(7,888,910)	(16,348,920)	39,266,636

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Depreciation	Closing balance
Furniture and fixtures	904,161	-	-	(496,981)	407,180
Motor vehicles	249,067	-	-	(249,067)	-
Computer equipment	1,341,363	1,017,442	(556,576)	(502,921)	1,299,308
Network and telecommunications equipment	49,484,677	31,924,851	(17,032,200)	(19,576,414)	44,800,914
Leasehold property	3,995,991	3,416,426	(3,260,305)	(1,114,853)	3,037,259
	55,975,259	36,358,719	(20,849,081)	(21,940,236)	49,544,661

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

3. Intangible assets

	2022			2021		
	Cost	Accumulated amortisation	Carrying value	Cost	Accumulated amortisation	Carrying value
Indefeasible right of use	183,242,159	(81,696,011)	101,546,148	183,242,158	(72,533,903)	110,708,255

Reconciliation of intangible assets - 2022

	Opening balance	Amortisation	Total
Indefeasible right of use	110,708,255	(9,162,107)	101,546,148

Reconciliation of intangible assets - 2021

	Opening balance	Amortisation	Total
Indefeasible right of use	119,870,363	(9,162,108)	110,708,255

Indefeasible right of use

BT committed to invest in a terrestrial cable fibre link between Johannesburg and Cape Town, known in BT as "Universe". BT has acquired six fibre pairs, which equates to approximately nine Terabytes or 9 000 Gigabytes of capacity. BT is not a shareholder / member of the consortium (Fiberco Communications) building the link but is classified as a key anchor tenant.

On the basis that there are no additional right of use payments due and that BT has acquired the exclusive use of an intangible asset - i.e. six discrete fibre pairs over a 20 year term, a separate lease assessment was not considered necessary. Operational sign off was the trigger date for the commencement of amortisation, as at that point it was "available for use, and in the location and condition necessary for it to be capable of operating in the manner intended by management (IAS38 - Intangible assets, paragraph 97)".

The remaining useful life of the asset is 10 years and 9 months.

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	2022 R	2021 R
4. Other financial assets		
At fair value		
Investments		
Cadiz Asset Management (Pty) Ltd	5,501,713	8,914,044
The company has three investments with Cadiz Asset Management (Pty) Ltd. All three of these investments have already matured and are now on 30 day notice terms.		
At amortised cost		
Loans		
Ensemble Trading 460 (Pty) Ltd t/a The Learning Organisation	5,100,000	6,400,000
Three enterprise development loans amounting to R 1 200 000, R 900 000 and R 3 000 000 were granted to the company on 31 March 2021. These loans are interest free and were granted for BEE purposes. The first two loans are repayable on the 29th of March 2023 and the third one on the 29th March 2024. BT received bank guarantees for each of these loans as security and as such can recall the funds when they become due for repayment.		
Total other financial assets	10,601,713	15,314,044
Non-current assets		
At amortised cost	3,000,000	3,900,000
Current assets		
At fair value	5,501,713	8,914,044
At amortised cost	2,100,000	2,500,000
	7,601,713	11,414,044
	10,601,713	15,314,044

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Notes to the Annual Financial Statements

	2022 R	2021 R
5. Deferred tax asset		
Deferred tax liability		
Prepayments	(9,161,155)	(6,646,714)
Provision for doubtful debts	-	(373,475)
Total deferred tax liability	(9,161,155)	(7,020,189)
Deferred tax asset		
Provision for doubtful debts	325,528	-
Provisions	4,106,715	6,132,331
Property, plant and equipment	3,399,081	4,342,899
Income received in advance	5,643,065	7,109,361
Operating lease payables	183,865	258,102
Intangible assets	1,237,033	1,282,849
Total deferred tax asset	14,895,287	19,125,542
The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:		
Deferred tax liability	(9,161,155)	(7,020,189)
Deferred tax asset	14,895,287	19,125,542
Total net deferred tax asset	5,734,132	12,105,353
Reconciliation of net deferred tax asset		
At the beginning of the year	12,105,353	24,089,075
Under provision prior year	301,638	(64,125)
Temporary differences for the year	(6,460,485)	(11,919,596)
Rate change adjustment	(212,375)	-
At the end of the year	5,734,132	12,105,353
6. Inventories		
Finished goods	1,063,652	1,063,652
Provision for slow moving inventory	(1,063,652)	(1,063,652)
	-	-

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	2022 R	2021 R
7. Loans to (from) group companies		
Fellow Subsidiaries		
BT plc	171,257,970	167,577,250
<p>This amount is unsecured, bears interest at the JIBAR 12 month interest rate as determined on 15 November every year plus 1.025 basis points since 15 August 2018 (0.9 basis points between 15 August 2016 and 14 May 2018 and 0.9625 basis points between 15 May 2018 and 14 August 2018) and has no fixed terms of repayment.</p> <p>Although short term by intent, this loan is classified as long term as there is no intention nor expectation that the loan will be repaid in the next 12 months.</p>		
8. Trade and other receivables		
Trade receivables	85,626,673	136,275,673
Provision for doubtful debts	(1,205,659)	(1,821,457)
Accrued income	37,458,121	25,279,689
Other receivables	-	6,878,074
Deferred costs	73,644,523	23,738,264
Amounts due from related parties	491,569,080	474,270,995
Value added taxation	11,094,155	11,011
	698,186,893	664,632,249
9. Cash and cash equivalents		
Cash and cash equivalents consist of:		
Bank balances	203,554,160	90,253,866
<p>A fleet card facility of R 45 000 (2021: R 45 000) was made available to the company by Standard Bank of South Africa as well as a bank guarantee of R 567 200 (2021: R 567 200). Standard Bank holds an unlimited pledge on the call account.</p>		
10. Share capital		
Authorised		
100,000 Ordinary shares of R0.01 each at par value	1,000	1,000
Issued		
100,000 Ordinary shares of R0.01 each at par value	1,000	1,000
Share premium	116,999,700	116,999,700
	117,000,700	117,000,700

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BT Communications Services South Africa Proprietary Limited

(Registration number: 2008/006072/07)

Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
11. Trade and other payables		
Current		
Trade payables	54,643,680	28,209,475
Deferred income	17,381,489	17,444,409
Operating lease payables	680,980	921,793
Payroll accruals	10,389,580	12,251,850
Accrued expense	50,668,600	74,688,654
Dividends payable	4,384,448	12,189,300
Amounts due to related parties	4,283,990	22,358,184
Credit note provision due to related parties	-	7,264,084
	142,432,767	175,327,749

Non-current

Deferred income	3,518,750	7,946,166
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12. Provisions

This is the dilapidation provision relating to three office leases whereby the company, as the lessee, must incur costs to make good any damages which may occur to the property during the lease term or to restore the property to a specified condition.

Reconciliation

Carrying amount at the beginning of the year	5,646,728	5,306,472
Additions during the year	190,493	340,256
Charged against provision during the year	(2,080,396)	-
	3,756,825	5,646,728
Less: Unused amounts reversed during the year	-	-
Carrying amount at the end of the year	3,756,825	5,646,728

13. Share based payments

The total share based payment charge recognised in the statement of comprehensive income was R78,188 (2021: R237,541). BT Group plc (the ultimate holding company), has an employee share investment plan and savings-related share option plans for its employees and those of participating subsidiaries (which BT Communications Services SA is part of). It also has several share plans for executives. All share based payments are denominated in Great British Pounds and relates to the shares of BT Group plc which is incorporated in the United Kingdom.

All share based payment plans are equity settled and details of these plans and an analysis of the total charge by type of award is set out below:

International Saveshare and Deferred Bonus Plan	(14,993)	204,500
Executive Share plan plus Retention and Restricted Share Plans	93,181	33,041
	78,188	237,541

What share incentive arrangements do we have?

Our plans include savings-related share option plans for employees and those of participating subsidiaries, further share option plans for selected employees and a stock purchase plan for employees in the US. We also have several share plans for executives. All share-based payment plans are equity-settled. Details of these plans is set out below.

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13. Share based payments (continued)

Employee Sharesave Plan

Under an HMRC-approved savings-related share option plan, employees save on a monthly basis, over a three or five-year period, towards the purchase of shares at a fixed price determined when the option is granted. This price is set at a 20% discount to the market price for five-year plans and 10% for three-year plans. The options must be exercised within six months of maturity of the savings contract, otherwise they lapse. Similar plans operate for our overseas employees.

Incentive Share Plan

Participants are entitled to ISP shares in full at the end of a three-year period only if the company has met the relevant pre-determined corporate performance measures and if the participants are still employed by the group. No ISP awards were granted in 2020/21. For ISP awards granted in previous years 40% of each award is linked to a total shareholder return (TSR) target for a comparator group of companies from the beginning of the relevant performance period; 40% is linked to a three-year cumulative normalised free cash flow measure; and 20% to growth in underlying revenue.

Deferred Bonus Plan (DBP)

Awards are granted annually to selected employees. Shares in the company are transferred to participants at the end of three years if they continue to be employed by the group throughout that period.

Retention and Restricted Share Plans (RSP)

Awards are granted to selected employees. Shares in the company are transferred to participants at the end of a specified retention or restricted period if they continue to be employed by the group throughout that period.

Under the terms of the ISP, DBP and RSP, dividends or dividend equivalents earned on shares during the conditional periods are reinvested in company shares for the potential benefit of the participants.

Employee sharesave plans

	Number	Weighted average exercise price	Total value
Outstanding at the beginning of the year	356,659	7.83	2,793,945
Granted during the year	-	-	-
Forfeited during the year	(188,680)	(7.93)	(1,496,977)
Exercised during the year	(5,761)	(3.02)	(17,386)
Expired during the year	(7,560)	(3.02)	(22,816)
Outstanding at the end of the year	154,658	8.13	1,256,767
Exercisable at the end of the year	-	-	-

Weighted average share price at exercise date of options was R 8.13 (2021: R 7.83).

Outstanding options	Exercise date within one year	Exercise date from two to five years	Exercise date after five years	Total
Options with exercise price	513,795	742,971	-	1,256,766

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

13. Share based payments (continued)

Share Plans

Incentive Share Plan

	Number	Weighted average exercise price	Total value
Outstanding at the beginning of the year	101,077	6.73	680,026
Granted during the year	4,641	7.53	34,943
Forfeited during the year	-	-	-
Exercised during the year	-	-	-
Expired during the year	(29,938)	(3.02)	(90,351)
Outstanding at the end of the year	75,780	8.24	624,618
Exercisable at the end of the year	-	-	-

Weighted average share price at exercise date of options was R 8.24 (2021: R 6.73).

Information options granted during the year

Weighted fair value of options outstanding at year end		
Employee sharesave plan and Allshare International share plan	1,256,767	2,793,945
Incentive Share Plan	624,618	680,026
	1,881,385	3,473,971

The company is part of a group share based payment plan and the expense was measured using the Monte Carlo method as prescribed by BT Group.

	Share option plans	Share plans
- Weighted average fair value	8.11	10.23
- Weighted average share price	8.11	8.21
- Weighted average exercise price	7.06	28.99
- Expected dividend yield	5.19% - 6.49%	n/a
- Risk free rates	-0.001% - 0.11%	n/a
- Expected volatility	28.33% - 28.39%	n/a

14. Common control surplus reserve

Common control surplus reserve	7,636,575	7,636,575
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On 6 March 2008, BT Communications Services South Africa Proprietary Limited was incorporated. Following the incorporation of BT Communications Services South Africa Proprietary Limited, BT Limited (South African Branch) sold all of its assets and liabilities to BT Communications Services South Africa Proprietary Limited.

BT Communications Services South Africa Proprietary Limited assets and liabilities are ultimately controlled by the same parties both before and after the transaction. IFRS 3 specifically states that a combination of entities or businesses under common control is excluded from the scope of IFRS 3. There is currently no guidance in IFRS for SME's on the accounting treatment for combinations among entities under common control. In developing a policy for common control transactions, BT Communications Services South Africa Proprietary Limited considered the guidance issued by other standard setting bodies which use a similar conceptual framework to develop accounting standards.

BT Communications Services South Africa Proprietary Limited has elected to use the predecessor accounting method, which is based on equivalent US GAAP and UK GAAP guidance for common control transactions. Predecessor accounting does not require to restate assets and liabilities to their fair values. The acquirer, i.e. BT Communications Services South Africa Proprietary Limited incorporated the predecessor's carrying values. No goodwill arises in applying the predecessor accounting method.

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	2022 R	2021 R
14. Common control surplus reserve (continued)		
In accordance with predecessor method, any difference between the consideration given (shares issued) and the aggregate book value of the assets and liabilities (as at the date of the transaction) is recognised in a separate reserve within equity called common control surplus reserve.		
Book value of net identifiable assets and liabilities acquired under common control	97,636,575	97,636,575
Purchase consideration	(90,000,000)	(90,000,000)
Common control surplus reserve	7,636,575	7,636,575
15. Revenue		
Rendering of licenced services	576,156,251	724,613,429
Rendering of other services	247,669,742	335,584,236
Equipment sales	47,789,776	56,673,219
	871,615,769	1,116,870,884
16. Operating profit		
Operating profit for the year is stated after accounting for the following:		
Operating lease charges		
Premises		
- Contractual amounts	1,063,468	6,147,954
Depreciation on property, plant and equipment	16,348,920	21,940,236
Employee costs	62,379,195	120,663,406
Share based payment expense	78,188	237,541
Foreign exchange differences recognised	271,812	(270,953)
Amortisation on intangible assets	9,162,107	9,162,108
Purchases	613,816,440	773,941,877
17. Interest income received		
Related parties	7,942,119	-
South African Revenue Services	-	1,074,416
Bank	50,229	29,883
	7,992,348	1,104,299
18. Interest costs paid		
Related parties	-	2,401,263
19. Taxation		
Major components of the tax expense		
Current		
Local income tax - current period	50,502,229	53,434,269
Under provision - prior periods	-	78,597
	50,502,229	53,512,866

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BT Communications Services South Africa Proprietary Limited

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
19. Taxation (continued)		
Deferred		
Current period	6,460,485	11,919,596
Under provision - prior periods	(301,637)	64,125
Rate change adjustment	212,375	-
	6,371,223	11,983,721
	56,873,452	65,496,587

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	203,438,267	233,406,659
Tax at the applicable tax rate of 28% (2021: 28%)	56,962,714	65,353,865
Tax effect of adjustments on taxable income		
(Under) / Over provision of deferred tax - prior periods	(301,637)	64,125
Under provision of current tax - prior periods	-	78,597
Rate change adjustment	212,375	-
	56,873,452	65,496,587

The income tax rate of 28% in 2022 was reduced to 27% from 1 April 2022.

20. Cash generated from (used in) operations

Profit before taxation	203,438,267	233,406,659
Adjustments for:		
Depreciation and amortisation	25,511,027	31,102,344
(Profit)/Loss on sale of property, plant and equipment	-	(777,873)
Finance income	(7,992,348)	(1,104,299)
Finance costs	-	2,401,263
Fair value adjustments	-	313,985
Movements in operating lease liabilities	(240,813)	193,279
Movements in provisions	(1,889,903)	340,256
Movement in unrealised foreign exchange differences	58,378	212,611
Changes in working capital:		
Decrease in Inventories	-	563,652
Increase / (Decrease) in Trade and other receivables	(33,554,644)	(211,191,181)
(Decrease) / Increase in Trade and other payables	(25,484,200)	(81,981,588)
	159,845,764	(26,520,892)

21. Tax paid

Balance at the beginning of the year	33,182,559	7,598,617
Current tax for the year recognised in profit (loss)	(50,502,229)	(53,512,866)
Balance at the end of the year	(20,523,099)	(33,182,559)
	(37,842,769)	(79,096,808)

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
22. Dividends paid		
Balance at the beginning of the year	(12,189,300)	(17,784,845)
Dividends declared	-	(26,016,173)
Balance at the end of the year	4,384,448	12,189,300
	(7,804,852)	(31,611,718)

23. Commitments

Operating leases – as lessee (expense)

Minimum lease payments due

- within one year	2,702,680	5,407,238
- in second to fifth year inclusive	5,301,217	8,003,896
	8,003,897	13,411,134

Operating lease payments represent rentals payable by the company for certain of its office properties and office equipment.

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

24. Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

2022

	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Loans to group companies	-	171,257,970	-	171,257,970
Trade and other receivables	-	613,448,215	-	613,448,215
Cash and cash equivalents	-	203,554,160	-	203,554,160
Trade and other payables	-	-	(113,980,716)	(113,980,716)
Other financial assets - Investments	5,501,713	-	-	5,501,713
Other financial assets - Loans receivable	-	5,100,000	-	5,100,000
	5,501,713	993,360,345	(113,980,716)	884,881,342

2021

	Fair value through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Loans to group companies	-	167,577,250	-	167,577,250
Trade and other receivables	-	640,882,974	-	640,882,974
Cash and cash equivalents	-	90,253,866	-	90,253,866
Trade and other payables	-	-	(137,445,614)	(137,445,614)
Other financial assets - Investments	8,914,044	-	-	8,914,044
Other financial assets - Loans receivable	-	6,400,000	-	6,400,000
	8,914,044	905,114,090	(137,445,614)	776,582,520

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Annual Financial Statements for the year ended 31 March 2022

Notes to the Annual Financial Statements

	2022 R	2021 R
25. Related parties		
Relationships		
Ultimate holding company	BT Group plc	
Holding company	BT plc (Holding company of BT Limited)	
	BT Limited	
Other shareholder	Kilomix Investments (Pty) Ltd	
Fellow subsidiaries and branches	BT Americas Inc	
	Communications Networking Services (UK) Limited	
	BT Innovate and Design Inc	
	International Network Services Inc	
	BT Limited (South African Branch)	
	Communications Global Network Services Ltd - UK branch	
	Group Management Centre	
	BT GS Intra Group	
	BT Mozambique Limitada	
	BT Solutions Limited	
	BT Singapore Pte. Limited	
Directors and prescribed officers	Khalid Abdulla	
	Presantha Naidoo	
	Brian Keith Thomas	
	Chantelle AH Sing	
	Eyad Yassin Shihabi	
	Valentine Colleta Dzvova	
	Bertrandt Delport	
	Mohamed Shaik	
Related party balances and transactions with related parties		
Related party balances		
Loans to group companies		
BT plc	171,257,970	167,577,250
Amounts included in Trade Payables due to related parties (Note 11)		
BT plc	(387,834)	-
Group Management Centre	(3,755,996)	(4,090,125)
Communications Networking Services (UK) Limited	(3,485)	(56,738)
BT Limited	-	(18,211,320)
BT Americas Inc	(136,676)	(1)
	(4,283,991)	(22,358,184)
Amounts included in Trade Receivables due by related parties (Note 8)		
Communications Networking Services (UK) Limited	7,749,438	8,291,859
Group Management Centre	2,391,539	4,457,033
BT plc	481,428,103	461,446,666
BT Americas Inc	-	75,437
	491,569,080	474,270,995
These balance with related parties are as a result of intercompany transactions and will be settled in the normal course of business, pending Reserve Bank approval.		
Dividends payable (Note 11)		
BT Limited	(4,384,448)	(18,211,320)

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Annual Financial Statements for the year ended 31 March 2022

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	2022 R	2021 R
25. Related parties (continued)		
Credit note provisions owing to related parties (Note 11)		
BT plc	-	(7,264,084)
Interest received from related parties (Refer note 17)		
BT plc	(7,942,119)	-
Interest paid to related parties (refer note 18)		
BT plc	-	2,401,263
Sales to related parties		
Communications Networking Services (UK) Limited	(145,651,831)	(139,663,856)
BT plc	-	(22,333,276)
BT GS Intra Group	(26,888,832)	(54,448,982)
	(172,540,663)	(216,446,114)
Purchases from related parties		
Group Management Centre	35,571,783	60,840,318
BT Singapore Pte. Limited	-	(1,295,109)
BT Americas Inc	1,169,230	2,790,833
Communications Networking Services (UK) Limited	114,250,905	140,692,489
BT plc	7,935,112	26,773,905
	158,927,030	229,802,436
Property, plant and equipment purchases from related parties		
Communications Networking Services (UK) Limited	431,843	377,642
BT Americas Inc	-	1,150
Dividends declared to related parties		
Kilomix Investments (Pty) Ltd	-	7,804,853
BT Limited	-	18,211,320
	-	26,016,173

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Notes to the Annual Financial Statements

26. Directors' remuneration

Executive (Current Directors)

2022

	Salaries	Other benefits	Bonus	Total
Brian Keith Thomas	1,655,731	273,850	217,512	2,147,093
Bertrandt Delport	1,557,389	335,890	269,486	2,162,765
	3,213,120	609,740	486,998	4,309,858

2021

	Salaries	Other benefits	Bonus	Total
Brian Keith Thomas	1,664,479	256,864	226,670	2,148,013
Bertrandt Delport	1,569,282	315,323	190,886	2,075,491
	3,233,761	572,187	417,556	4,223,504

Executive (Past Directors)

2021

	Directors' fees	Committees fees	Directors' fees for services as directors' of subsidiaries	Other fees (Consultancy fees to subsidiary)	Total
Joanne Shields	2,546,369	301,704	848,699	2,469,370	6,166,142

27. Going concern

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

The directors have given due consideration to the impact of the COVID-19 pandemic on the company's ability to continue as a going concern. The directors believe that the pandemic will have a temporary impact on the business activities. Notwithstanding these short-term challenges the directors are of the view that the company has sufficient resources to continue as a going concern.

28. Events after the reporting period

The directors considered the impact that the reduction of the Companies income tax rate from 28% to 27% for companies with year-ends between 1 April 2022 and 31 December 2023 will have. It was assessed that it will only have an impact on the deferred tax balance, but that the amount would be insignificant or immaterial.

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

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