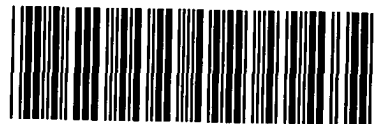


**Plusnet plc**

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



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# **Plusnet plc**

## **Strategic Report, Directors Annual Report and financial statements**

**for the year ended 31 March 2014**

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# **Plusnet plc**

## **Directors and Advisors**

### **Directors**

Mr J Petter  
Mr M Davies  
Mr J Ford (resigned 16 January 2014)  
Mr A Wilson (resigned 3 April 2014)  
Mr A Baker (appointed 16 January 2014)  
Mr R Barzegar (appointed 2 July 2014)

### **Company Secretary**

Newgate Street Secretaries Limited  
81 Newgate Street  
London  
EC1A 7AJ

### **Registered Office**

The Balance  
2 Pinfold Street  
Sheffield  
United Kingdom  
S1 2GU

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
1 East Parade  
Sheffield  
S1 2ET

### **Bankers**

Barclays Bank plc  
Level 28  
1 Churchill Place  
London  
E14 5HP

# Plusnet plc

## Strategic report for the year ended 31 March 2014

The directors present their strategic report for Plusnet plc (the “Company”) for the year ended 31 March 2014.

### Review of business

The broadband market continues to be extremely competitive in the UK with the introduction of TV, phone and broadband bundles from competitors in order to gain market share. Plusnet continues to perform well within these conditions by focusing on maintaining excellent customer service levels, investment in marketing and offering competitive products.

The Company has continued to invest significantly in marketing during the year to raise awareness of the brand, which has resulted in a significant increase in broadband and phone customers. The directors believe an aggressive policy on price and continuing investment in marketing, combined with a high level of customer service, will allow the Company to continue to grow its customer base and revenues.

The Company will continue to utilise its self-developed operating system ‘Workplace’ to provide automation, allowing products to be delivered at competitive prices whilst ensuring a high quality of service and maintaining low operating costs.

The Company will also seek to work more closely with other areas of BT to increase internal revenues and to work in partnership with BT Consumer and BT Business on product offerings.

The Company uses the following key performance indicators to assess its performance:

	<b>Year ended 31 March 2014</b>	<b>Year ended 31 March 2013</b>
Turnover	<b>£178.9m</b>	£140.6m
Gross profit	<b>£83.0m</b>	£77.3m
Earnings before, interest, tax, depreciation and Amortisation	<b>£30.7m</b>	£32.6m
Customer volume growth %	<b>17%</b>	12%
Number of employees	<b>943</b>	789

Turnover has increased in the year by 27% as a result of 17% customer growth and selective pricing.

Gross profit has grown by 8% however the underlying performance of the business has been impacted by changes in the intercompany recharging policy in the period.

# Plusnet plc

## Strategic report for the year ended 31 March 2014

Effective 1 April 2013, the basis of measurement of internal recharges changed and British Telecommunications plc passed on costs which had not been recharged in prior years. The impact on the Company's results is shown below.

	Year ended 31 March 2014 £m	Year ended 31 March 2013 £m	Annual Growth %
<b>Turnover</b>	<b>178.9</b>	<b>140.6</b>	<b>27%</b>
<b>Underlying Gross profit</b>	<b>96.5</b>	<b>77.3</b>	<b>25%</b>
Incremental internal operating costs	-13.5	0	
Gross profit post adjustments	83.0	77.3	7%
<b>Underlying EBITDA</b>	<b>44.2</b>	<b>32.6</b>	<b>36%</b>
Incremental internal operating costs	-13.5	0	
EBITDA post adjustments	30.7	32.6	(6%)

Underlying gross profit has increased by 25% during the year as a result of our customer growth. Despite an extremely competitive market environment, gross margin has remained stable.

Underlying EBITDA has improved as a result of tight controls over the Company's fixed cost base and specific cost reduction initiatives.

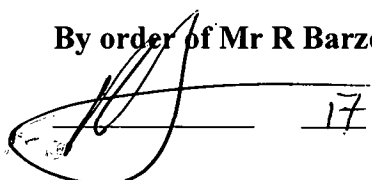
Plusnet has achieved 17% customer growth year on year by investing significantly in market awareness and continuing to focus on the price and product suite to ensure a competitive proposition is maintained.

The number of employees has increased as a direct result of an increase to the customer base and to ensure that Plusnet infrastructure, products and strategy continues to evolve in line with the company's growth.

The Company seeks to continuously improve its Employee Engagement Index by working with Plusnet staff directly and various other communication forums. This has resulted in a modest year on year increase in the EEI to 3.68 from 3.67.

On the 21<sup>st</sup> of May 2013 Plusnet plc completed the purchase of Comms Factory Limited. The majority of customers within Comms Factory Limited have been migrated to Plusnet plc by 31 March 2014 and the remainder will be transferred post year end.

By order of Mr R Barzegar,



17 July 2014

# **Plusnet plc**

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

The directors submit their annual report and the audited financial statements of Plusnet plc (the "Company") for the year ended 31 March 2014. The registered number of the Company is 3279013.

### **Principal activities and future developments**

The company's principal activity during the year was the provision of telephone and internet access services in the UK.

There have been no significant changes in the company's principal activities in the year under review.

During the year, an agreement with Brightview Group Limited and Brightview Internet Services Limited (100% subsidiaries of British Telecommunications plc) was in force such that Plusnet plc would undertake the operation, management, customer service, order fulfilment, billing, marketing and other activities of Brightview Group Limited and Brightview Internet Services Limited. Hence Plusnet plc has invoiced the respective companies for these services, resulting in the intra-group turnover disclosed in note 2 to the financial statements. Plusnet intends to liquidate the companies and migrate the customers post year end to Plusnet.

The directors are not aware, at the date of this report, of any likely major changes in activities in the next year.

### **Principal risks and uncertainties**

The principal risks to which BT Group plc (the ultimate controlling entity of the Company) is exposed are also the principal matters which would create risk and uncertainty for the Company. These are managed by the directors of BT Group plc at the group level rather than at an individual business unit level. They are discussed on pages 50 – 55 of the group's 2014 annual report which does not form part of this report.

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

### **Financial risk management**

#### ***Credit risk***

Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of 'A' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. The amount of exposure to any individual counterparty is subject to a limit, which is reassessed annually by the board.

#### ***Employees***

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

The Company is committed to providing equal opportunities, which include promoting training and career development for all employees. Full and fair consideration for all vacancies and opportunities will be given to men and women, people with disabilities and those from ethnic minorities, regardless of marital status, age, religion or sexual orientation. If members of staff become disabled the group continues employment wherever possible and arranges retraining. The policy is supported by a Code of Practice on harassment which recognises that all employees have the right to be treated with dignity and respect.

More details of these policies are set out in the Group's Annual Report and Financial Statements for the year ended 31 March 2014.

### **Results and dividends**

The profit on ordinary activities before taxation was £25.2m (2013: £28.4m). The tax on profit on ordinary activities was £6.2m (2013: £6.9m) which left a profit after taxation for the year of £19.0m (2013: £21.5m).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2014 (2013: £nil).

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

### Directors

A list of the current directors is set out on page 1. Mr A Baker was appointed to the board on 16 January 2014 and Mr R Barzegar was appointed to the board as a director on 2 July 2014. Mr J Ford served as a director until he resigned on 16 January 2014 and Mr A Wilson served as a director until he resigned on 3 April 2014. The remaining directors held office throughout the year and up to the date of signing of this report.

### Statement of Directors' Responsibilities

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

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

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

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

### Payment of creditors

The Company's standard policy for payment of creditors is 60 days after the date on invoice unless otherwise negotiated. At the year end the creditor days ratio was 30 days (2013: 39 days).



# **Plusnet plc**

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

### **Disclosure of information to the auditors**

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

The directors' report on pages 4 to 7 were approved by the Board of directors on 17 July 2014 and were signed on its behalf by

**Mr R Barzegar**

A handwritten signature in black ink, consisting of a large, stylized 'R' followed by a horizontal line and a large loop.

17 July 2014

# **Plusnet plc**

## **Independent auditors' report to the members of Plusnet plc**

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

#### **Our Opinion**

In our opinion the financial statements, defined below:

- give a true and fair view of the state of the company's affairs as at 31 March 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

The financial statements, which are prepared by Group plc, comprise:

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

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

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

#### **What an audit of financial statements involves**

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

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

## **Plusnet plc**

In addition, we read all the financial and non-financial information in the Strategic Report, Directors Report and Financial Statements (the “Annual Report”) to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

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

### **Other matters on which we are required to report by exception**

#### **Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

#### **Directors’ remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors’ remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

#### **Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors’ Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

## Plusnet plc

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



**Joanna Allen**

for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors

17 July 2014

# Plusnet plc

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

	Notes	2014 £'000	2013 £'000
Turnover	2	178,850	140,649
Cost of sales		<u>(95,816)</u>	<u>(63,349)</u>
Gross profit		83,034	77,300
Administrative costs		<u>(56,430)</u>	<u>(48,262)</u>
Operating profit	5	26,604	29,038
Interest payable and similar charges	6	<u>(1,367)</u>	<u>(675)</u>
Profit on ordinary activities before taxation		25,237	28,363
Tax on profit on ordinary activities	7	<u>(6,224)</u>	<u>(6,863)</u>
Profit for the financial year	15	<u>19,013</u>	<u>21,500</u>

All items dealt with in arriving at operating profit above relate to continuing operations.

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historical cost equivalents.

The company has no recognised gains and losses other than the results above and therefore no separate statement of total recognised gains and losses has been presented.

# Plusnet plc

## Balance sheet as at 31 March 2014

	Notes	2014 £'000	2013 £'000
Intangible assets	8	3,138	-
Tangible fixed assets	9	<u>16,910</u> <u>20,048</u>	<u>8,803</u> <u>8,803</u>
Current assets			
Stocks	10	991	281
Debtors due within one year	11	77,888	50,539
Cash at bank and in hand		<u>2,772</u>	<u>5,078</u>
		<u>81,651</u>	<u>55,898</u>
Creditors: amounts falling due within one year	12	<u>(57,658)</u>	<u>(39,673)</u>
Net current assets		<u>23,993</u>	<u>16,225</u>
Total assets less current liabilities		<u>44,041</u>	<u>25,028</u>
Net assets		<u>44,041</u>	<u>25,028</u>
Capital and reserves			
Called up share capital	14	61	61
Share premium account	15	3,339	3,339
Profit and loss account	15	<u>40,641</u>	<u>21,628</u>
Total shareholders' funds	16	<u>44,041</u>	<u>25,028</u>

The financial statements on pages 11 to 23 were approved and authorised for issue by the board of directors and were signed on its behalf by



Mr R Barzegar  
Director  
17 July 2014

Registered No. 3279013

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014

### 1 Statement of Accounting policies

#### Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The principal accounting policies, which have been consistently applied, are set out below.

#### Exemption from the obligation to prepare group financial statements and a cash flow statement

The company is a wholly-owned subsidiary of BT Group plc and the results and cash flows of the company are included in the consolidated financial statements of that company. Accordingly, the company has chosen to take the exemption from preparing group financial statements and a cash flow statement.

#### Intangible assets

Intangible assets are valued at cost less cumulative amortisation. Acquired customer lists are amortised over the expected customer life, which has been assessed as 5 years, taking into account expected levels of churn.

#### Tangible fixed assets

Tangible fixed assets are held at historical purchase price less accumulated depreciation. The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Computer equipment	5 to 10 years
Internal software development costs	3 years
Network development costs	3 years
Fixtures and fittings	5 to 16 years

Internal software development costs and network development costs include capitalised employee costs directly attributable to either bringing computer equipment into working condition for its intended use within the business or developing and enhancing business operating systems.

# **Plusnet plc**

## **Notes to the financial statements for the year ended 31 March 2014 (continued)**

### **Statement of Accounting policies (continued)**

#### **Leases**

Leasing agreements and hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset ("finance leases") are treated as if the asset had been purchased outright. Assets held under such agreements are included in fixed assets and the capital element of commitments is shown as obligations under finance leases.

Payments under such agreements are treated as consisting of capital and interest elements.

The interest element is charged to the profit and loss account over the primary lease period in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

All other leases are treated as operating leases, the costs of which are charged on a straight line basis over the lease term.

#### **Pension schemes**

The company contributes to a defined contribution group personal pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

#### **Turnover**

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided. Service subscription revenue is recognised over the period to which it relates. Call revenue is recognised on an accruals basis.

Intra-group turnover is recognised on provision of the associated services at the point the services are delivered.

#### **Stocks**

Stock is valued at the lower of cost and net realisable value.

#### **Deferred income**

Deferred income represents that portion of subscription fees paid by customers but relating to a future contract period.



# **Plusnet plc**

## **Notes to the financial statements for the year ended 31 March 2014 (continued)**

### **Statement of Accounting policies (continued)**

#### **Monetary assets and liabilities**

Foreign currency transactions are translated into sterling at the rate ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rate ruling at balance sheet date. Any differences are taken to the profit and loss account.

#### **Deferred taxation**

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

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in periods in which the timing difference are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

#### **Related party transactions**

In accordance with the exemption allowed by FRS 8 "Related Party Transactions", transactions with entities that are part of BT Group plc are not disclosed.

#### **Investments**

Investments are carried at cost less provision for impairment. Investments are tested for impairment when an event that might affect asset values has occurred. An impairment loss is recognised to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future cash flows from the investment

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 2 Turnover and segment information

The company's turnover and operating profit relate entirely to its principal activity and arise in the United Kingdom. An analysis of turnover by type is as follows:

	2014 £'000	2013 £'000
External	170,588	131,032
Turnover with group undertakings	<u>8,262</u>	<u>9,617</u>
	<u>178,850</u>	<u>140,649</u>

The net assets of the company at the end of each year were all attributable to the United Kingdom.

The profit before tax of the company during each year was attributable to activities wholly carried out in the United Kingdom.

### 3 Employee information

	2014 £'000	2013 £'000
Wages and salaries	20,483	16,642
Social security costs	2,013	1,672
Other pensions costs	<u>258</u>	<u>151</u>
	<u>22,754</u>	<u>18,465</u>

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2014 Number	2013 Number
Senior executives	7	4
Professional roles	213	160
Administration	<u>653</u>	<u>568</u>
	<u>873</u>	<u>732</u>

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 4 Directors' emoluments

Mr J Petter and Mr M Davies are employed and remunerated by British Telecommunications plc and they received no emoluments for their services as directors of Plusnet plc. Mr J Ford and Mr A Wilson were also remunerated by British Telecommunications plc and they received no emoluments for their services as directors of the Company up to their date of resignation. Mr A Baker is remunerated by British Telecommunications plc and from his date of appointment the Company was recharged his salary and associated costs. For the year ended 31 March 2014 it is not possible to make an accurate apportionment of what relates to his services as Director of Plusnet plc.

### 5 Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Depreciation of tangible fixed assets		
– owned assets	3,929	3,611
Amortisation of intangible asset	785	-
Loss on sale of fixed asset	361	-
Operating leases – land and buildings	-	87
Operating leases – e-mail storage	579	287
Audit fees payable to the auditor for the statutory audit of the company's financial statements	64	64

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the UK were £nil (2013: £nil).

### 6 Interest payable and similar charges

	2014 £'000	2013 £'000
Interest payable to group companies	1,367	675

**Notes to the financial statements for the year ended 31 March 2014 (continued)**

**7 Tax on profit on ordinary activities**

	2014 £'000	2013 £'000
<b>Current tax:</b>		
UK corporation tax at 23% (2013: 24%)	6,013	7,058
Total current tax	6,013	7,058
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(10)	(239)
Adjustment in respect of prior years	72	2
Effect of reduction in statutory tax rate on opening asset	149	42
Total deferred tax (note 13)	211	(195)
Tax on profit on ordinary activities	6,224	6,863

	2014 £'000	2013 £'000
Profit on ordinary activities before taxation	25,237	28,363
Profit on ordinary activities multiplied by standard rate of corporation tax at 23% (2013: 24%)	5,805	6,807
Effects of:		
Accelerated capital allowances and other timing differences	(53)	246
Other non deductible expenses	197	2
Movement in other timing differences	64	3
Adjustments in respect of prior years	-	-
Current tax charge	6,013	7,058

**Factors affecting current and future tax charges**

In the 2013 Budget, the UK Government announced a 2% reduction to the main rate of UK corporation tax from 23% to 21% to apply from 1 April 2014 and a further 1% reduction from 21% to 20% to apply from 1 April 2015. These rate reductions were enacted on 17<sup>th</sup> July 2013 and deferred tax has been calculated at the final rate of 20%

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 8 Intangible assets

Intangible assets consist of a customer base acquired as part of the acquisition of Comms Factory Limited during the financial year. The Company was purchased on the 21<sup>st</sup> of May 2013. Intangible assets are valued at cost less cumulative amortisation under FRS 7. Acquired customer lists are amortised over the expected customer life, which has been assessed as 5 years, taking into account expected levels of churn. The majority of customers have been migrated to Plusnet during the period. The remaining customers who were not migrated as at the year end, will be migrated post year end.

	Customer Base £'000
<b>Cost</b>	-
At 1 April 2013	-
Additions	<u>3,923</u>
<b>At 31 March 2014</b>	<u><u>3,923</u></u>
<b>Accumulated amortisation</b>	
At 1 April 2013	-
Charged in the year	<u>(785)</u>
<b>At 31 March 2014</b>	<u><u>(785)</u></u>
<b>Net book value as at 31 March 2014</b>	<u><u>3,138</u></u>
Net book value as at 31 March 2013	<u><u>-</u></u>

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 9 Tangible fixed assets

	Computer equipment £'000	Internal Software Development costs £'000	Network development costs £'000	Fixtures and fittings £'000	Total £'000
<b>Cost or valuation</b>					
At 1 April 2013	11,335	2,339	1,227	944	15,845
Additions	10,195	1,795	407	-	12,397
Disposal	(1,030)	-	-	-	(1,030)
<b>At 31 March 2014</b>	<b>20,500</b>	<b>4,134</b>	<b>1,634</b>	<b>944</b>	<b>27,212</b>
<b>Accumulated depreciation</b>					
At 1 April 2013	4,740	1,198	805	299	7,042
Charged in the year	2,508	910	323	188	3,929
Disposal	(669)	-	-	-	(669)
<b>At 31 March 2014</b>	<b>6,579</b>	<b>2,108</b>	<b>1,128</b>	<b>487</b>	<b>10,302</b>
<b>Net book value</b>					
<b>At 31 March 2014</b>	<b>13,921</b>	<b>2,026</b>	<b>506</b>	<b>457</b>	<b>16,910</b>
At 31 March 2013	6,595	1,141	422	645	8,803

### 10 Stocks

	2014 £'000	2013 £'000
Finished goods and goods for resale	991	281

### 11 Debtors

	2014 £'000	2013 £'000
Trade debtors	4,745	5,542
Amounts owed by group undertakings	67,465	41,755
Deferred tax (note 13)	1,001	1,212
Prepayments and accrued income	4,677	2,030
	<b>77,888</b>	<b>50,539</b>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 12 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	4,790	3,131
Other taxation and social security	9,524	6,866
Other creditors	404	403
Corporation taxes	5,995	7,057
Accruals	17,329	13,074
Deferred income	12,566	9,142
Cash overdraft – owed to group undertakings	7,050	-
	<u>57,658</u>	<u>39,673</u>

No fee is charged to Plusnet for using overdraft facilities as part of group treasury arrangements.

### 13 Deferred taxation

	2014 £'000	2013 £'000
<b>Deferred tax asset comprises:</b>		
Difference between accumulated depreciation and capital allowances	939	1,207
Other timing differences	62	5
Deferred tax asset (note 11)	<u>1,001</u>	<u>1,212</u>

	2014 £'000	2013 £'000
Opening deferred tax asset capital allowances	1,212	1,017
Deferred tax charge in the profit and loss account (note 7)	(211)	195
Closing deferred tax asset	<u>1,001</u>	<u>1,212</u>

### 14 Called up share capital

	Number of Shares	£'000
Allotted, called up and fully paid ordinary shares of 0.2p each As at 1 April 2013 and at 31 March 2014	<u>30,343,438</u>	<u>61</u>

# Plusnet plc

## Notes to the financial statements for the year ended 31 March 2014 (continued)

### 15 Reserves

	Share premium account £'000	Profit and loss account £'000
Balance at 1 April 2013	3,339	21,628
Profit for the financial year	-	19,013
<b>Balance at 31 March 2014</b>	<b>3,339</b>	<b>40,641</b>

### 16 Reconciliation of movements in shareholders' funds

	2014 £'000	2013 £'000
Profit attributed to shareholders	19,013	21,500
<b>Net change in shareholders' funds</b>	<b>19,013</b>	<b>21,500</b>
Opening shareholders' funds	25,028	3,528
<b>Closing shareholders' funds</b>	<b>44,041</b>	<b>25,028</b>

### 17 Financial commitments

At 31 March 2014, the company had annual commitments under non-cancellable operating leases expiring as follows:

	E-mail storage	
	2014 £'000	2013 £'000
Less than one year	579	287
Within two to five years	-	-
	<b>579</b>	<b>287</b>

### 18 Pension obligations

The company operates a defined contribution group personal pension scheme. The pension cost charge for the year represents contributions payable by the company to fund the scheme



## **Plusnet plc**

### **Notes to the financial statements for the year ended 31 March 2014 (continued)**

and amounted to £257,402 (2013: £151,489). The amount of outstanding contributions at the yearend amounted to £57,927 (2013: £23,329).

#### **19 Ultimate parent company**

The Company is a wholly-owned subsidiary of British Telecommunications plc, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2014 was BT Group plc.

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in England & Wales. Consequently the Company is exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under control during the year ended 31 March 2014. Copies of the financial statements of BT Group plc may be obtained from The Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

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