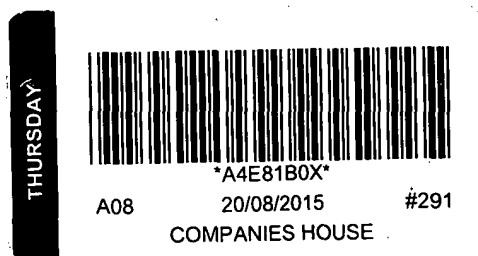


Plusnet plc

**Strategic Report, Directors
Report and Financial Statements
for the year ended
31 March 2015**



Plusnet plc

Strategic Report, Directors Annual Report and financial statements for the year ended 31 March 2015

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Plusnet plc

Directors and Advisors

Directors

Mr A Baker
Mr J Petter
Mr M Davies
Mr R Barzegar (appointed 2 July 2014)
Mr A Wilson (resigned 3 April 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
St Pauls Place
121 Norfolk Street
Sheffield
S1 2LE

Bankers

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

Plusnet plc

Strategic report for the year ended 31 March 2015

The directors present their strategic report for Plusnet plc (“Plusnet” or the “Company”) for the year ended 31 March 2015.

Review of the Business

The UK broadband market continues to be extremely competitive, with many competitors offering heavily discounted triple-play TV, broadband and phone bundles in order to gain market share. Fibre optic broadband has seen an increase in demand during the year and has become an important component of product propositions, with Internet Service Providers (‘ISPs’) leveraging higher speeds and increased connection stability to up-sell value added TV services over Internet Protocol (‘IP’). There has also been a move by some players to introduce mobile services, creating a quad-play bundle proposition.

Plusnet has continued to invest in marketing expenditure to increase its brand awareness. Coupled with competitive pricing through discounts, this has been successful in driving a significant increase in broadband and phone customers during the year.

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

	Year ended 31 March 2015	Year ended 31 March 2014
Turnover	£226.8m	£178.9m
Gross Profit	£108.9m	£83.0m
Earnings before interest, tax, depreciation and amortisation (EBITDA)	£43.1m	£30.7m
Customer volume growth %	16%	17%
Number of employees	1,110	943

Turnover has increased 27% as a result of a 16% increase in customer growth and selective pricing. Despite the competitive market, gross margin percentage has improved which has in turn had a positive impact on EBITDA growth. The Company continues to maintain a strategy of tight controls over the fixed cost base and specific cost rationalisation initiatives.

Plusnet remains committed to giving its customers a fair deal by offering a great price and a great customer experience. This can be explained through the Company’s four core strategic pillars, which are explained below.

A digital, low cost operating model

The Company continues to use its self-developed “Workplace” trading platform to provide business automation, enabling products to be provided quickly, at competitive prices whilst ensuring a high quality of service and low cost operating model.

As well as building strong core and trading networks, Plusnet has improved its customer’s online service experience, including the launch of an online Webchat facility to allow customised, multi-channel contact for the customer.

Plusnet plc

Strategic report for the year ended 31 March 2015 (continued)

Breadth of portfolio that meets customer needs

During the year Plusnet has continued to focus on the low cost dual play broadband and phone market. During the year Plusnet has moved away from capped usage broadband products and now sells primarily “Totally Unlimited” broadband to new business and residential customers.

From its roots as a broadband solus provider, the Company has successfully grown its dual play base and now a significant majority of its customer base on dual play products. Fibre optic broadband has also grown strongly during the year, and 17% of the Company’s broadband customers now have a fibre product.

Growing the fibre customer base is core to the Company’s future strategy and will enable Plusnet to offer triple play bundles including TV and TV content. On 5 May 2015, Plusnet launched its first TV product over the YouView platform. The Company will continue to develop this proposition and use this broader product portfolio to enhance its customer offering.

Award winning customer service

Plusnet is proud to be recognised as an industry leader when it comes to customer service. During the year the Company has won multiple industry awards, including the ‘Which? Recommended Provider’ award for the seventh time in 2015, as well as the ‘USwitch’ award for ‘Best Customer Service’. Independent research (*GfK Consumer Attitudes Tracker Jan 2014 - Feb 2015 inclusive*) puts Plusnet as the market leader in customer advocacy, satisfaction and value for money.

Developing great people

During the year the number of employees has increased by 18% as a direct result of the increasing customer base and to ensure that Plusnet’s infrastructure, products and strategy continue to evolve in line with the Company’s growth.

The Company seeks to continuously improve its Employee Engagement Index (‘EEI’) by acting on feedback received from regular staff surveys and by working with Plusnet staff directly on improvements to working life. This has resulted in an increase in EEI to 3.89 out of 5 (from 3.68 in the year ended 31 March 2014).

On behalf of the board

Sign: 

Print: ROLAND BARZEGAR
Director

26 June 2015

Plusnet plc

Directors' report for the year ended 31 March 2015

The directors submit their annual report and the audited financial statements of Plusnet plc (the "Company") for the year ended 31 March 2015. 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.

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 41 – 52 of BT Group plc's 2015 annual report, which does not form part of this report.

Plusnet plc

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

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 BT Group plc Annual Report for the year ended 31 March 2015.

Results and dividends

The profit on ordinary activities before taxation was £37.2m (2014: £25.2m). The tax on profit on ordinary activities was £8.0m (2014: £6.2m) which left a profit after taxation for the year of £29.2m (2014: £19.0m).

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2015 (2014: £nil).

Plusnet plc

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

Directors

A list of the current directors is set out on page 1. Mr R Barzegar was appointed to the board as a director on 2 July 2014. 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.

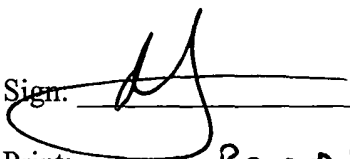
Plusnet plc

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

Disclosure of information to the auditors

So far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make themselves 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 26 June 2015 and were signed on its behalf by

Sign. 
Print: ROLAND BARZEGAR
Director

Plusnet plc

Independent auditors' report to the members of Plusnet plc

Report on the financial statements

Our Opinion

In our opinion, Plusnet PLC's financial statements (the "financial statements"):

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

What we have audited

Plusnet PLC's financial statements comprise:

- the Balance Sheet as at 31 March 2015;
- the Profit and loss account for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

Opinion on other matter prescribed by the Companies Act 2006

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

Plusnet plc

Independent auditors' report to the members of Plusnet plc (continued)

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

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 International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

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

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;

Plusnet plc

Independent auditors' report to the members of Plusnet plc (continued)

- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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



Joanna Allen (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Sheffield
26 June 2015

Plusnet plc

Profit and loss account for the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000 (restated – see note 3)
Turnover	2	226,766	178,850
Cost of sales		<u>(117,880)</u>	<u>(95,816)</u>
Gross profit		108,886	83,034
Administration expenses		<u>(72,751)</u>	<u>(56,486)</u>
Operating profit	5	36,135	26,548
Interest receivable and similar income	6	1,069	-
Interest payable and similar charges	6	<u>-</u>	<u>(1,367)</u>
Profit on ordinary activities before taxation		37,204	25,181
Tax on profit on ordinary activities	7	<u>(8,032)</u>	<u>(6,224)</u>
Profit for the financial year	15	<u>29,172</u>	<u>18,957</u>

All results derive from continuing operations.

There is no difference between the results as disclosed above and the results on an unmodified historical cost basis.

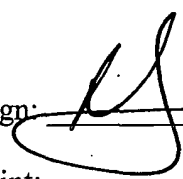
Other than items disclose in note 15, the company has no recognised gains and losses during either 2015 or 2014 other than as disclosed above and therefore no separate statement of total recognised gains and losses has been presented.

Plusnet plc

Balance sheet as at 31 March 2015

	Notes	2015 £'000	2014 £'000
Intangible assets	8	2,353	3,138
Tangible fixed assets	9	<u>18,586</u> <u>20,939</u>	<u>16,910</u> <u>20,048</u>
Current assets			
Stocks	10	1,778	991
Debtors due within one year	11	144,450	77,888
Cash at bank and in hand		-	2,772
		<u>146,228</u>	<u>81,651</u>
Creditors: amounts falling due within one year	12	<u>(93,833)</u>	<u>(57,658)</u>
Net current assets		<u>52,395</u>	<u>23,993</u>
Total assets less current liabilities		<u>81,365</u>	<u>44,041</u>
Net assets		<u>73,334</u>	<u>44,041</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>69,934</u>	<u>40,641</u>
Total shareholders' funds	16	<u>73,334</u>	<u>44,041</u>

The financial statements on pages 11 to 24 were approved and authorised for issue by the board of directors and were signed on its behalf by

Sign: 
 Print: ROLAND BARZEGAR
 Director
 26 June 2015

Registered No. 3279013

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015

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 customer attrition.

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 2015 (continued)

1 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 VAT and other sales taxes, comprises the value of services provided, consisting of:

- Line rental, voice and broadband subscription revenue is recognised over the period to which it relates;
- Usage is recognised in the period in which the customer takes the service;
- Promotional discounts are amortised on a straight line basis over the minimum contract period;
- 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 services to be provided after the balance sheet date.

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

1 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 and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under control 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 2015 (continued)

1 Statement of Accounting policies (continued)

Share based payments

The ultimate parent undertaking, BT Group plc, has a number of employee share schemes and share option plans, as detailed in note 21 to the 2015 BT Group plc consolidated financial statements, under which it makes equity settled share based payments to certain employees of the Company. Equity settled share based payments are measured at fair value at the date of grant after taking into account the Company's best estimate of the number of awards expected to vest. For share based payments to employees of the Company, the fair value determined at the date of grant is expensed on a straight line basis together with a corresponding increase in equity over the vesting period. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to reserves.

Fair value is measured using either the Binomial or Monte Carlo model, whichever is the most appropriate to the award.

Accounting standards, interpretations and amendments not yet effective

Following the publication of FRS 100 'Application of Financial Reporting Requirements' by the Financial Reporting Council, BT Centre Nominee 2 Limited is required to change its accounting framework for its entity financial statements, which is currently UK GAAP, for its financial year commencing 1 April 2015. The purpose of FRS 100 is to align reporting in the UK with IFRS. As a qualifying subsidiary, the company will adopt FRS 101 'Reduced Disclosure Framework'.

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

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (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:

	2015 £'000	2014 £'000
External	219,634	170,588
Turnover with group undertakings	<u>7,132</u>	<u>8,262</u>
	<u>226,766</u>	<u>178,850</u>

The net assets of the company at the end of each year were all located in 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

	2015 £'000	2014 £'000
Wages and salaries	27,715	20,483
Social security costs	2,274	2,013
Other pensions costs	375	258
Share based payments	<u>121</u>	<u>56</u>
	<u>30,485</u>	<u>22,810</u>

Prior year employee costs have been restated to include charge for share based payments of £56,000. There was no impact on net assets.

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

	2015 Number	2014 Number
Senior executives	6	7
Professional roles	267	213
Administration	<u>770</u>	<u>653</u>
	<u>1,043</u>	<u>873</u>

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

4 Directors' emoluments

	2015 £'000	2014 £'000
Aggregate emoluments	231	-
Contributions under a defined contribution pension scheme	11	-
	<u>242</u>	<u>-</u>

The emoluments paid to the highest director were £180,000 (2014: £nil). These emoluments were recharged to the Company from British Telecommunications plc.

Retirement benefits are accruing to two directors (2014: nil) in respect of a defined contribution pension scheme.

Two director's acquired shares from the exercise of share options or received shares in respect of qualifying services under a long term incentive scheme.

Mr J Petter and Mr M Davies are employed and remunerated by British Telecommunications plc in respect of their services to the BT Group as a whole and they received no emoluments for their service as directors of Plusnet plc.

5 Operating profit

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Depreciation of tangible fixed assets		
- owned assets	6,144	3,929
Amortisation of intangible asset	785	785
Loss on sale of fixed asset	40	361
Operating leases – land and buildings	-	-
Operating leases – e-mail storage	898	579
Audit fees payable to the auditor for the statutory audit of the company's financial statements	<u>61</u>	<u>64</u>

Fees paid to PricewaterhouseCoopers LLP for non-audit services in the UK were £nil (2014: £nil).

6 Interest receivable/(payable) and similar income/(charges)

	2015 £'000	2014 £'000
Interest receivable/(payable) to group companies	<u>1,069</u>	<u>(1,367)</u>

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

7 Tax on profit on ordinary activities

	2015 £'000	2014 £'000
Current tax:		
UK corporation tax at 21% (2014: 23%)	8,230	6,013
Total current tax	8,230	6,013
Deferred tax:		
Origination and reversal of timing differences	(219)	(10)
Adjustment in respect of prior years	11	72
Effect of reduction in statutory tax rate on opening asset	10	149
Total deferred tax (note 13)	(198)	211
Tax on profit on ordinary activities	8,032	6,224
	2015 £'000	2014 £'000 Restated
Profit on ordinary activities before taxation	37,204	25,181
Profit on ordinary activities multiplied by standard rate of corporation tax at 21% (2014: 23%)	7,813	5,792
Effects of:		
Accelerated capital allowances and other timing differences	216	(53)
Other non deductible expenses	172	197
Share based payments	25	13
Movement in other timing differences	4	64
Adjustments in respect of prior years	-	-
Current tax charge	8,230	6,013

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

8 Intangible assets

Intangible assets consist of a customer base acquired as part of the acquisition of Comms Factory Limited on 21 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 customer attrition. The majority of customers have now been migrated to Plusnet during the current and prior period. The remaining customers who were not migrated as at the year end, will be migrated post year end.

	Customer Base £'000
Cost	
At 1 April 2014	3,923
Additions	-
At 31 March 2015	3,923
Accumulated amortisation	
At 1 April 2014	(785)
Charged in the year	(785)
At 31 March 2015	(1,570)
Net book value as at 31 March 2015	2,353
Net book value as at 31 March 2014	3,138

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

9 Tangible fixed assets

	Computer equipment £'000	Internal Software Development costs £'000	Network development costs £'000	Fixtures and fittings £'000	Total £'000
Cost or valuation					
At 1 April 2014	20,500	4,134	1,634	944	27,212
Additions	5,725	2,476	450	-	8,651
Disposals	(2,279)	-	-	109	(2,170)
At 31 March 2015	23,946	6,610	2,084	1,053	33,693
Accumulated depreciation					
At 1 April 2014	6,579	2,108	1,128	487	10,302
Charged in the year	4,270	1,194	495	185	6,144
Disposals	(1,470)	-	-	131	(1,339)
At 31 March 2015	9,379	3,302	1,623	803	15,107
Net book value					
At 31 March 2015	14,567	3,308	461	250	18,586
At 31 March 2014	13,921	2,026	506	457	16,910

10 Stocks

	2015 £'000	2014 £'000
Finished goods and goods for resale	1,778	991

11 Debtors

	2015 £'000	2014 £'000
Trade debtors	6,027	4,745
Amounts owed by group undertakings	131,984	67,465
Deferred tax (note 13)	1,199	1,001
Prepayments and accrued income	5,240	4,677
	144,450	77,888

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand. Interest is charged at agreed group rates.

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

12 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	4,829	4,790
Other taxation and social security	10,396	9,524
Other creditors	319	404
Corporation taxes	8,230	5,995
Accruals	26,085	17,329
Deferred income	16,549	12,566
Cash overdraft – owed to group undertakings	27,425	7,050
	<u>93,833</u>	<u>57,658</u>

No fee is charged to Plusnet for using overdraft facilities as part of group treasury arrangements, however group balances do attract interest at agreed group rates.

13 Deferred taxation

	2015 £'000	2014 £'000
Deferred tax asset comprises:		
Difference between accumulated depreciation and capital allowances	1,135	939
Other timing differences	64	62
Deferred tax asset (note 11)	<u>1,199</u>	<u>1,001</u>

	2015 £'000	2014 £'000
Opening deferred tax asset	1,001	1,212
Deferred tax credit / (charge) in the profit and loss account (note 7)	198	(211)
Closing deferred tax asset	<u>1,199</u>	<u>1,001</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 2014 and at 31 March 2015	<u>30,343,438</u>	<u>61</u>

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

15 Reserves

	Share premium account £'000	Profit and loss account £'000
Balance at 1 April 2014	3,339	40,641
Profit for the financial year	-	29,172
Share based payments	-	121
Balance at 31 March 2015	3,339	69,934

16 Reconciliation of movements in shareholders' funds

	2015 £'000	2014 £'000
Profit attributed to shareholders	29,172	18,957
Share based payments	121	56
Net change in shareholders' funds	29,293	19,013
Opening shareholders' funds	44,041	25,028
Closing shareholders' funds	73,334	44,041

17 Financial commitments

At 31 March 2015, the company had annual commitments under non-cancellable operating leases expiring as follows:

	E-mail storage	
	2015 £'000	2014 £'000
Less than one year	478	579
Within two to five years	420	-
	898	579

Plusnet plc

Notes to the financial statements for the year ended 31 March 2015 (continued)

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 and amounted to £374,594 (2014: £257,402). The amount of outstanding contributions at the year end amounted to £63,871 (2014: £57,927).

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 2015 was BT Group plc.

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in England & Wales. Consequently the Company is exempt under the terms of FRS 8 "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 2015. Copies of the financial statements of BT Group plc may be obtained from The Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

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