Plusnet plc

Annual Report and Financial Statements

for the year ended

31 March 2020

Registered number: 03279013

Plusnet plc

Directors and Advisors

Directors

Mr A Baker *(resigned 25 November 2019)*
Mrs P Smith
Mr M Allera
Mr S Harris
Mr P Oliver *(appointed 10 December 2019)*
Mr S Calvert *(appointed 19 March 2020)*

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 Auditor

KPMG LLP
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Level 28
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Plusnet plc

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Plusnet plc

Strategic report

The directors present their annual report for Plusnet plc (the "Company"), together with the financial statements and auditor's report, for the year ended 31 March 2020.

Review of business

The UK broadband market remains very competitive, with competitors offering discounted triple-play TV, broadband and phone bundles in order to gain market share. Increase in demand for fibre optic broadband continued during the year and remains an important component of product propositions, with ISPs leveraging higher speeds and increased connection stability to up-sell value added services such as TV over IP. There has also been a continuation in the trend of competitors offering mobile services, creating a quad-play bundle proposition.

Plusnet has invested in marketing expenditure to increase its brand awareness and coupled with competitive pricing through discounts, has been successful in increasing the number of broadband and mobile phone customers during the year.

The Company has issued the following key performance indicators to assess its performance:

	2020	2019
	£m	£m
Turnover	**418**	410
Gross profit	**201**	186
EBITDA	**104**	74
Customer volume growth %	**2%**	10%
Number of employees	**1,526**	1,516

Turnover has increased 2% to £418m as a result of a 2% increase in the customer base and selective pricing changes. Gross margin percentage has increased by 3 p.p. reflecting an increase in Plusnet Mobile customers in the base and pricing changes. Growth in EBITDA reflects a higher customer base and, in particular, an increased focus on tight cost control across the business.

Net assets have increased by 20% to £171m (2019: £143m)

Plusnet remains committed to giving its customers a fair deal by offering a great price and brilliant customer experience. Our ambition is to deliver great deals, which driven by insight and segmentation, are tailored to our customers' needs.

During the year Plusnet has continued to focus on the low-cost dual-play broadband and phone market as well as growing market share in the value SIM-only mobile sector. More recently the COVID-19 situation and the associated increase in home-working has highlighted the importance of home connectivity and reliable, high-speed broadband.

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 take a dual-play product. Fibre optic broadband has also grown strongly during the year, and 60% of the Company's broadband customers now have a fibre product.

Growing the fibre and mobile customer base is core to the Company's strategy and will enable Plusnet to offer quad-play bundles including TV and Mobile. Following the launch of Plusnet Mobile in 2016 the Company continues to develop this proposition and use its broader product portfolio to enhance the customer offering.

Strategic report (continued)

Plusnet continues to be recognised for providing great value combined with excellent customer service. During the past 12 months the company has won multiple awards including the 'Best Provider Customer Service' for the 7th year in succession from 'uSwitch' as well as 'Best Network for Customer Service' and 'Best Value Pay Monthly Network'. Other awards include 'Best Broadband Provider', 'Best Customer Care', and 'Best Value Provider' at the 'Broadband Genie Home Broadband Awards' as well as 'Overall Winner', 'Most Reliable Provider', and 'Best Value Provider' at the 'Expert Reviews Broadband Awards 2020'.

During the year the average number of employees has increased by 1%. This increase is as a 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, offset by the TUPE of all corporate employees to BT plc in February 2020.

Principal risks and uncertainties

The Company's business is impacted by a number of internal and external factors, including the regulatory environment and competitive marketplace in which it operates. An active risk management process identifies, assesses, mitigates and reports on strategic, financial, operational and compliance risk.

The principal risks and uncertainties for the Company are:

- Competition and Technology;
- Regulation, Economical and Political;
- *Disruption to telecommunications networks and IT infrastructure* ;
- Customer privacy and security of data;
- Financial risks.

Competition and technology

The Company operates in a highly competitive market place within the UK, where there is possible disruption by and consolidation between existing broadband and mobile network operators and other service providers seeking to strengthen their market position. New entrants to markets or competitors with lean models could create pricing pressure. Technological developments also have the ability to create new forms of quickly evolving competition.

Regulation, economical and political

The Company must comply with an extensive range of requirements that govern and regulate the licensing, construction and operation of its telecommunications networks and the provision of services in the UK and EU.

The Company's ability to operate or compete effectively could be adversely affected by the introduction of new laws, policies or regulations, changes in the interpretation and application of existing laws, policies and regulations.

Political and economic uncertainty, around the exit of the UK from the European Union ("Brexit") may have an impact on the economy, regulation, geopolitics and supply chain.

Risk assessments have taken place to identify potential financial and operational impacts of COVID-19. An economic downturn may lead to changes in consumer trends and demand for Plusnet's products and services and a higher rate of bad debt due to a greater number of customers experiencing financial hardship. This has been considered in the balance sheet valuation for the year ended 31 March 2020.

Strategic report (continued)

Disruptions to telecommunications networks and IT infrastructure

The Company is dependent on the secure and stable operation of its telecommunications networks and IT infrastructure. Failures in infrastructure, either through incident, disaster or malicious attack, could lead to the loss of customer or commercially sensitive data, or reduced availability of systems or services which may be critical to our operations. This could also result in reputational damage, as well as a loss of revenue and customer confidence.

Customer privacy and security of data

The Company holds and processes a large amount of private data, including sensitive customer information and payment card details, which enables it to interact efficiently and effectively with its customers, partners and suppliers. There is a threat that a large amount of sensitive data is stolen or lost which can result in regulatory fines, restitution costs, and lost business as well as significant damage to brand and reputation.

Financial risks

Further information on financial risk management is provided within the Directors' report.

Section 172(1) Statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In doing this, section 172 requires a director to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

In discharging our section 172 duties we have regard to the factors set out above. We also have regard to other factors which we consider relevant to the decision being made. Those factors, for example, include the interests and views of our employees and our relationship with Ofcom. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders. By considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we do, however, aim to make sure that our decisions are consistent and predictable.

As is normal for large companies, we delegate authority for day-to-day management of the Company to executives and then engage management in setting, approving and overseeing the execution of the business strategy and related policies. We review risk and compliance, legal, and health and safety matters at every Board meeting. We also review other areas over the course of the financial year including the Company's financial and operational performance; stakeholder-related matters; diversity and inclusivity; and corporate responsibility matters. This is done through the consideration and discussion of reports which are sent in advance of each Board meeting and through presentations to the Board.

Strategic report (continued)

Section 172(1) Statement (continued)

The views and the impact of the Company's activities on the Company's stakeholders (including its workforce, customers and suppliers) are an important consideration for us when making relevant decisions. While there are cases where the Board itself judges that it should engage directly with certain stakeholder groups or on certain issues, the size and spread of both the stakeholders and the BT Group means that generally stakeholder engagement best takes place at an operational or group level. We find that as well as being a more efficient and effective approach, this also helps us achieve a greater positive impact on environmental, social and other issues than by working alone as an individual company. For details on the some of the engagement that has taken place with the Company's stakeholders so as to help the directors to understand the issues to which they must have regard, and the impact of that feedback on decisions, please see the stakeholders section in the strategic report of BT Group plc's 2020 Annual Report.

During the period we received information to help us understand the interests and views of the Company's key stakeholders and other relevant factors when making decisions. This information was distributed in a range of different formats including in reports and presentations on our financial and operational performance, non-financial KPIs, risk, ESG matters and the outcomes of specific pieces of engagement. As a result of this we have had an overview of engagement with stakeholders and other relevant factors which allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company.

One example of how we have had regard to the matters set out in section 172(1)(a)-(f) when discharging our section 172 duties and the effect of that on decisions taken by us is the payment of the dividend. Throughout the year the Board assessed the strength of the Company's balance sheet and future prospects relative to uncertainties in the external environment. During the financial year ended 31st March 2020, the Board recommended an interim dividend of £50m. In making this decision the Board considered a range of factors. These included the long-term viability of the Company; its expected cash flow and financing requirements; the ongoing need for strategic investment in our business and workforce, and the pricing expectations of our customers and suppliers, as well as the expectations of our members.

Future developments

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

On behalf of the Board

Mrs P Smith

25 June 2020

Plusnet plc

Directors' report

The registered number of the company is 03279013.

Principal activities

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.

Results

The profit before taxation was £95.8m (2019: £68.3m). The tax on profit was £18.1m (2019: £18.3m) which results in a profit for the financial year of £77.6m (2019: £50.0m).

Dividends

The directors have declared and paid a dividend amounting to £50.0m (2019: £40.0m).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2019: £nil).

Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Mr A Baker *(resigned 25 November 2019)*
Mrs P Smith
Mr M Allera
Mr S Harris
Mr P Oliver *(appointed 10 December 2019)*
Mr S Calvert *(appointed 19 March 2020)*

Financial risk management

The Company follows the Group policy to manage its financial risks, which include liquidity and credit risk.

The Company's long-term funding is provided by an uncommitted loan facility with its parent company. The Company actively maintains liquidity to ensure that it has sufficient available funds for operations and planned expansions.

Credit risk arises from cash and cash equivalents, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. 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.

Further detail of the Group's policies can be found in the annual report and financial statements of BT Group plc, the ultimate parent undertaking, for the year ended 31 March 2020, which does not form part of this report.

Plusnet plc

Directors' report (continued)

Employee engagement

Plusnet colleagues are central to delivering its vision, goals, strategy and transformation.

Plusnet colleagues want it to:

- share their personal values
- provide flexible and agile ways of working
- provide career opportunities, development and training; and
- reward performance with fair and competitive pay and benefits.

How does Plusnet engage and what is the outcome of its engagement?

For reasons of efficiency and effectiveness, much of this engagement takes place at a BT Group plc ('BT') level. For more information on the group level engagement, see the stakeholders section in the strategic report of BT Group plc Annual Report.

Senior leaders across BT regularly meet their teams through roundtables, town hall debates, site visits, webcasts and blogs, using these opportunities to share relevant information and invite comments and questions.

Plusnet also listens to any concerns through Plusnet employee representatives.

Twice a year Plusnet colleagues share feedback about how it feels to work at Plusnet through the Your Say engagement survey. This survey gives Plusnet a good understanding as to how its colleagues are feeling and helps Plusnet understand what more the Company can do to make Plusnet a brilliant place to work.

The BT Board was kept updated on talent management and culture throughout the organisation and how this has shaped their initiatives and programmes, including those in relation to the wellbeing of their colleagues, and progress against these.

This year BT established the Colleague Board, which aims to bring colleagues closer to BT Board decision making. This is another mechanism to allow for the BT Board, as well as the management of Plusnet, to understand the views of its colleagues. It sits alongside BT's existing employee forums, people networks, unions and engagement methods.

Plusnet uses feedback from its colleagues to focus on key areas and initiatives that will make the biggest impact. Colleague feedback is used to further shape and inform the things that the Company does for its colleagues, for example Skills for Tomorrow as well as launching collaboration tools such as Workplace.

Workplace is a best-in-class, mobile-first, internal social networking channel and almost 70,000 colleagues across BT have registered to use Workplace since it launched in July 2019. It is a secure and simple way for colleagues to connect, share knowledge and keep up to date with BT news and activities. Colleagues can access Workplace wherever they are and on the device of their choice.

Workplace helps BT become the best connected company across all the markets the Company does business in, and enhances two-way conversations across BT and allows the BT Executive Committee and senior leaders to connect more easily with colleagues across the business.

Directors' report (continued)

Employee engagement (continued)

The engagement of colleagues across BT has been of paramount importance and focus throughout the Covid-19 pandemic. The BT chief executive has connected directly with colleagues via a series of video recordings posted on Workplace, and the BT Executive Committee has hosted weekly Q&A calls for senior managers from across the Plusnet business, ensuring all senior leaders have the most current information to share with their teams, and setting the tone on the importance of leadership visibility.

Early policy decisions on office closures, remote working, key worker status and support options for colleagues have provided the structure for the colleague information site hosted on BT Today (the Group internal intranet news site) and is reinforced through local Plusnet channels.

More details on Employee policies are set out in the Group's Annual Report and Financial Statements for the year ended 31 March 2020.

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of a Directors' and Officers' liability insurance, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, purchased by BT Group plc and applicable to the directors of Plusnet plc was in force throughout the last financial year and is currently in force. Neither the insurance nor the indemnity provides cover where the person has acted fraudulently or dishonestly.

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.

Going concern

The Company's business activities, the factors likely to affect its future development and position, and the principal risks and uncertainties faced by the Company, are set out in the Strategic report. The Directors have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company is expected to continue to generate positive operating cash flows for the foreseeable future, with net assets of £171m and has a number of financing arrangements in place. The Company operates under the BT Group cash pooling arrangement where cash generated during the year is transferred to BT and results in an intercompany debtor balance at year end, which is repayable on demand. The Company is therefore deemed to have sufficient funds to meet its liabilities as they fall due and remain a going concern.

On the basis of the assessment of the Company's financial position, taking into account plausible downsides, including the impact of the COVID-19 pandemic, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, and thus continue to adopt the going concern basis of accounting in preparing the Company annual financial statements.

Directors' report (continued)

Auditor

KPMG LLP is the auditor of the Company. Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG will continue in office.

The directors' report on pages 7 to 10 was approved by the Board of directors on 25 June 2020 and were signed on its behalf by:

Mrs P Smith

25 June 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework.*

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLUSNET PLC

Opinion

We have audited the financial statements of Plusnet plc ("the company") for the year ended 31 March 2020 which comprise the Profit and loss account and other comprehensive income, the Balance sheet, the Statement of changes in equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLUSNET PLC (CONTINUED)

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 11, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PLUSNET PLC (CONTINUED)

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Jonathan Downer (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
KPMG LLP
15 Canada Square
London
E14 5GL

25 June 2020

Profit and Loss Account and Other Comprehensive Income

for the year ended 31 March 2020

	Note	2020 £'000	2019 £'000
Turnover	2	**417,687**	409,512
Cost of sales		**(216,494)**	(223,374)
Gross profit		**201,193**	186,138
Administrative expenses		**(107,652)**	(119,928)
Operating profit	3	**93,541**	66,210
Interest receivable and similar income	4	**2,339**	2,311
Interest payable and similar expenses	4	**(115)**	(195)
Profit before tax		**95,765**	68,326
Tax on profit	7	**(18,135)**	(18,310)
Profit for the financial year		**77,630**	50,016

All results derive from continuing operations.

There has been no other comprehensive income during either 2020 or 2019 other than as disclosed in the profit and loss account and therefore no separate statement of total comprehensive income has been presented.

The notes on pages 18 to 32 form an integral part of these financial statements.

Plusnet plc

Balance Sheet
at 31 March 2020

	Note	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	8	**40,861**	32,165
Tangible assets	9	**7,798**	11,444
Contract assets	2	**181**	310
Deferred contract costs	2	**1,742**	701
		50,582	44,620
Current assets			
Stocks	10	**3,967**	4,961
Debtors - due within one year	11	**19,868**	19,496
Amounts owed by Group undertakings	11	**143,143**	136,666
Contract assets	2	**6,832**	6,890
Deferred contract costs	2	**16,685**	13,632
Deferred tax asset	12	**1,465**	944
		191,960	182,589
Total assets		**242,542**	227,209
Creditors: amounts falling due within one year:			
Trade and other payables	14	**(54,817)**	(66,069)
Contract liabilities	2	**(16,419)**	(17,798)
		(71,236)	(83,867)
Net current assets		**120,724**	98,722
Total assets less current liabilities		**171,306**	143,342
Net assets		**171,306**	143,342
Equity			
Called up share capital	17	**61**	61
Share premium account		**3,339**	3,339
Retained earnings		**167,906**	139,942
Total equity		**171,306**	143,342

The notes on pages 18 to 32 form an integral part of these financial statements.

The financial statements on pages 15 to 32 were approved and authorised for issue by the board of directors and were signed on its behalf by:

PSmith

Mrs P Smith
Director

25 June 2020

Company registered number - 03279013

Plusnet plc

Statement of Changes in Equity

	Called up share capital	Share premium	Retained earnings	Total Equity
	£'000	£'000	£'000	£'000
Balance at 1 April 2018	61	3,339	129,656	133,056
Profit for the financial year	-	-	50,016	50,016
Total comprehensive income for the year	-	-	50,016	50,016
Dividends	-	-	(40,000)	(40,000)
Share based payments	-	-	270	270
Balance at 31 March 2019	61	3,339	139,942	143,342
Balance at 1 April 2019	61	3,339	139,942	143,342
Profit for the financial year	-	-	77,630	77,630
Total comprehensive income for the year	-	-	77,630	77,630
Dividends	-	-	(50,000)	(50,000)
Share based payments	-	-	334	334
Balance at 31 March 2020	**61**	**3,339**	**167,906**	**171,306**

Notes to the financial statements

1. Accounting policies

Plusnet plc provides telephone and internet access services in the UK.

The Company is a private company limited by shares and is incorporated and domiciled in the United Kingdom. The address of its registered office is The Balance, 2 Pinfold Street, Sheffield, S1 2GU. The registered company number is 03279013.

Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, *"Reduced Disclosure Framework" (FRS 101),* which involves the application of International Financial Reporting Standards (IFRS) with a reduced level of disclosure.

The financial statements have been prepared on a going concern basis under the historic cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

Going concern

The Directors have prepared cash flow forecasts for a period of 12 months from the date of approval of these financial statements which indicate that taking into account plausible downsides, including the impact of the COVID-19 pandemic, the Company is expected to continue to generate positive operating cash flows for the foreseeable future. The Company operates under the BT Group cash pooling arrangement where cash generated during the year is transferred to BT and results in an intercompany debtor balance at year end, which is repayable on demand. The Company has a number of financing arrangements in place and net assets of £171m, and therefore is deemed to have sufficient funds to meet its liabilities as they fall due for that period.

On the basis of the assessment of the Company's financial position, taking into account plausible downsides, the Directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, and thus continue to adopt the going concern basis of accounting in preparing the Company annual financial statements.

Exemptions

The company's ultimate parent undertaking, BT Group plc, includes the Company in its consolidated financial statements. The consolidated financial statements of BT Group plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from The Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Cash Flow Statement and related notes;
- Certain disclosures regarding revenue;
- Comparative period reconciliations for share capital, tangible fixed assets and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

Notes to the financial statements (continued)

1. Accounting policies (continued)

Exemptions (continued)

- Disclosures of transactions with a management entity that provides key management personnel services to the company.
- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IAS 36 *Impairment of assets* in respect of the impairment of goodwill and indefinite life intangible assets;
- Certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

The company intends to continue to take advantage of these exemptions in future years.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates which are discussed within this note. It also require management to exercise judgement in the process of applying the company's accounting policies.

New and amended accounting standards effective during the year

IFRS 16 Leases (effective date 1 January 2019) has no impact on the financial statements.

Accounting Policies

Revenue

Identification of performance obligations and timing of revenue recognition

On inception of the contract we identify a "performance obligation" for each of the distinct goods or services we have promised to provide to the customer. The consideration specified in the contract with the customer is allocated to each performance obligation identified based on their relative standalone selling prices, and is recognised as revenue as they are satisfied.

Below we summarise revenue recognition policy for each of the major performance obligations we have identified. Also detailed is revenue expected to be recognised in future periods for contracts in place at 31 March 2020 that contain unsatisfied performance obligations.

Fixed access subscriptions

Fixed subscription charges are recognised as revenue on a straight line basis over the period that the services are provided. Upfront charges for non-distinct connection and installation services are deferred as contract liabilities and are recognised as revenue over the same period. Variable charges such as call charges are recognised as and when the related services are delivered. Where installation activities are distinct performance obligations, revenue is recognised at the point in time that the installation is completed.

Mobile subscriptions

Subscription fees, consisting primarily of monthly charges for access to broadband and other internet access or voice and data services, are recognised as the service is provided. One-off services such as calls outside of plan and excess data usage are recognised when the service is used.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Equipment and other services

Revenue from equipment sales is recognised at the point in time that control passes to the customer. Where payment is not received in full at the time of the sale, such as with equipment provided as part of mobile and fixed access subscriptions, contract assets are recognised for the amount due from the customer that will be recovered over the contract period. Revenue to be recognised is calculated by reference to the relative standalone selling price of the equipment. For other services, revenue is recognised over the period that the related performance obligations are satisfied, which could be over time or at a point in time depending on the nature of the service.

Contract Assets and Liabilities

We recognise contract assets for goods and services for which control has transferred to the customer before consideration is due. These assets mainly relate to customer-provided equipment (CPE) provided upfront but paid for over the course of a contract. Contract assets are reclassified as receivables when the right to payment becomes unconditional.

Contract liabilities are recognised where we have received advance payment for goods and services that we have not transferred to the customer. These primarily relate to fees received for connection and installation services that are not distinct performance obligations.

Contract costs

Connection costs are deferred as contract fulfilment costs because they allow satisfaction of the associated connection performance obligation and are considered recoverable. Sales commissions and other third party contract acquisition costs are capitalised as costs to acquire a contract unless the associated contract term is less than 12 months, in which case they are expensed as incurred. Capitalised costs are amortised over the minimum contract term. A portfolio approach is used.

Costs related to delivering services under long-term contractual arrangements are expensed as incurred except for an element of costs incurred in the initial contract set-up, transition or transformation phase. These costs are recorded as assets and amortised on a straight line basis over the remaining contract term, unless the pattern of service delivery indicates a more appropriate profile. These costs are directly attributable to specific contracts, relate to future activity, will generate future economic benefits and are regularly assessed for recoverability.

Impairment

The company recognises loss allowances for expected credit losses (ECLs) on financial assets measured at amortised cost (notably trade receivables) and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment and including forward-looking information.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Intangible assets

Intangible assets are valued at cost less accumulated 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.

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. They are amortised over 3 to 5 years.

Tangible assets

Tangible assets are stated at historical cost, net of any accumulated depreciation, and any impairment charges. On disposal of tangible assets, the difference between the sale proceeds and the net book value at the date of disposal is recorded in operating costs in the profit and loss account.

Depreciation is provided on tangible assets on a straight line basis from the time the asset is available for use, to write off the asset's cost over the estimated useful life taking into account any expected residual value.

The lives assigned to principal categories of assets are as follows:

Computer equipment	2 to 5 years
Fixtures and fittings	2 to 5 years

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.

Stocks

Stock is valued at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle.

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 the balance sheet date. Any differences are taken to the profit and loss account.

Notes to the financial statements (continued)

1. Accounting policies (continued)

Current and deferred income tax

Current income tax is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised using the liability method, in respect of temporary differences between the carrying amount of the Company's assets and liabilities and their tax base. A deferred tax asset is recognised only when, on the basis of all available evidence, it can be regarded as probable that there will be suitable taxable profits, within the same jurisdiction, in the foreseeable future against which the deductible temporary difference can be utilised.

Deferred tax is determined using tax rates that are expected to apply in periods in which the asset is realised or liability settled, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax balances are not discounted.

Share based payments

The ultimate parent undertaking, BT Group plc, operates a number of equity settled share-based arrangements, under which the Company receives services from employees as consideration for equity instruments (share options and shares) of BT Group plc. These equity-settled arrangements are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The determined fair value is recognised as an expense on a straight line basis over the vesting period, based on the Group's estimate of the shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions. The credit side of the entry is recorded in equity. Note 16 provides details of the Company's ultimate parent and from where its consolidated financial statements can be obtained.

Critical accounting estimates and key judgements

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Useful lives for tangible and intangible assets

The annual depreciation and amortisation charge is sensitive to the estimated service lives allocated to each type of asset. Asset lives are assessed annually and changed when necessary to reflect current thinking on the remaining lives in light of any business changes and the physical condition of the assets concerned. The carrying values of software and tangible assets are disclosed in notes 8 and 9. The useful lives applied to the principal categories of assets are disclosed on pages 20 and 21.

Revenue recognition

Revenue is recognised based on the relative standalone selling price of each performance obligation. Determining the standalone selling price often requires judgement and may be derived from regulated prices, list prices, a cost-plus derived price, or the price of similar products when sold on a stand-alone basis by the Company or a competitor.

Notes to the financial statements (continued)

2. Revenue

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

	2020	2019
	£'000	£'000
External turnover	417,687	409,512

(i) Contract assets and liabilities

	2020	2019
	£'000	£'000
Contract assets – opening balance	7,200	7,633
Contract assets – closing balance	7,013	7,200
Contract liabilities – opening balance	(17,798)	(23,944)
Contract liabilities – closing balance	(16,419)	(17,798)

No impairment losses were recognised in the year (2019: £nil). £17.8m recognised as a contract liability at 1 April 2019 was recognised as revenue during the period. Revenue of £172.2m (2019: £153.7m) is expected to be recognised in the future related to unsatisfied (or partially unsatisfied) performance obligations.

(ii) Performance obligations

Significant payment terms

The fixed element of consumer fixed access and mobile subscription arrangements is typically payable in advance, with any variable or one-off charges billed in arrears. Payment terms are generally on presentation of the bill. For commercial arrangements, invoices are issued according to contractual terms and are usually payable on presentation, however, different terms may be negotiated. Payments received in advance are recorded as contract liabilities, amounts billed in arrears are recorded as contract assets.

The company does not have material obligations in respect of returns, refunds or warranties.

Notes to the financial statements (continued)

2. Revenue (continued)

(iii) Contract costs

We capitalise certain costs associated with the acquisition and fulfilment of contracts with customers and amortise them over the period that we transfer the associated services. The following table shows the movements on deferred costs:

	Deferred connection costs	Deferred contract acquisition costs - commissions	Deferred contract acquisition costs - dealer incentives	Total
	£'000	£'000	£'000	£'000
At 1 April 2019	9,898	914	3,521	**14,333**
Additions	18,173	2,425	9,757	**30,355**
Released	(17,594)	(1,769)	(6,898)	**(26,261)**
At 31 March 2020	**10,477**	**1,570**	**6,380**	**18,427**

3. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2020	2019
	£'000	£'000
Depreciation of tangible assets	5,141	1,783
Amortisation of intangible assets	5,346	6,451
Audit fees payable to the auditors for the statutory audit of the Company's financial statements	68	68

Fees paid to KPMG LLP for non-audit services in the UK were £nil (2019: £nil).

Notes to the financial statements (continued)

4. Interest receivable and payable

	2020	2019
	£'000	£'000
Interest receivable from group undertakings	2,339	2,311
Interest payable to group undertakings	(115)	(195)

5. Directors' remuneration

	2020	2019
	£'000	£'000
Directors' remuneration	437	284
Contributions under defined contribution pension scheme	8	9
	445	293

The emoluments paid to the highest paid director were £445,000 (2019: £293,000). These emoluments were recharged to the Company from British Telecommunications plc.

Mr M Allera, Mr S Harris, Mr P Oliver and Mrs P Smith 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 services as directors of Plusnet plc. Mr A Baker was remunerated by British Telecommunications plc and from his date of appointment his salary and associated costs have been recharged to the company. Mr A Baker resigned on 25 November 2019 and the above remuneration includes payments made for loss of office.

Notes to the financial statements (continued)

6. Employee information

The average monthly number of persons employed by the Company during the year was as follows:

	2020 Number	2019 Number
Senior executives	4	5
Professional roles/administration	316	378
Operations	1,206	1,133
	1,526	1,516

Employment costs of all employees included above amounted to:

	2020 £'000	2019 £'000
Wages and salaries	42,209	47,142
Social security costs	3,723	3,514
Other pension costs	1,611	1,078
Share based payments	334	270
	47,877	52,004

7. Taxation

	2020 £'000	2019 £'000
Current tax:		
UK corporation tax current year	18,656	17,887
Deferred tax:		
Origination and reversal of timing differences	(244)	450
Re-measurement of deferred tax balances	(128)	(27)
Amounts under/(over) provided in previous years	(149)	-
Total deferred tax	(521)	423
Tax expense in the income statement	18,135	18,310

Notes to the financial statements (continued)

7. Taxation

Reconciliation of the total tax charge

The tax expense in the income statement for the year is different than the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are reconciled below.

	2020	2019
	£'000	£'000
Profit for the year	77,630	50,016
Total tax expense	18,135	18,310
Profit excluding taxation	95,765	68,326
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	18,195	12,982
Effects of:		
Expenses not deductible for tax purposes	69	128
Non qualifying asset	148	148
Re-measurement of deferred tax balances	(128)	(27)
Accounting policy change – Tax impact of Opening Balance Sheet adjustment	-	4,885
Tax (over)/under provided in previous years	(149)	194
	18,135	18,310

Factors affecting current and future tax charges

As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of reversal, deferred tax balances as at 31 March 2020 have been calculated at the rate at which they are expected to be recovered or settled.

A UK corporation rate of 19% (effective 1 April 2020) was announced in the March 2020 Budget and substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. This will increase the company's future current tax charge/credit accordingly. The deferred tax asset at 31 March 2020 has been calculated at 19% (2019: 17%).

Notes to the financial statements (continued)

8. Intangible assets

	External software £'000	Internal software £'000	Customer base £'000	Software in course of construction £'000	Total £'000
Cost					
As at 1 April 2019	4,820	14,440	5,510	27,510	52,280
Additions	758	984	-	12,300	14,042
Transfers	1,695	23,703	-	(25,398)	-
As at 31 March 2020	7,273	39,127	5,510	14,412	66,322
Accumulated amortisation					
As at 1 April 2019	(3,347)	(10,973)	(4,420)	(1,375)	(20,115)
Charge in the year	(1,308)	(3,258)	(780)	-	(5,346)
Transfers	(88)	(1,287)	-	1,375	-
As at 31 March 2020	(4,743)	(15,518)	(5,200)	-	(25,461)
Net book value as at 31 March 2020	**2,530**	**23,609**	**310**	**14,412**	**40,861**
Net book value as at 31 March 2019	1,473	3,467	1,090	26,135	32,165

Notes to the financial statements (continued)

9. Tangible assets

	Computer equipment £'000	Fixtures and Fittings £'000	Asset in course of construction £'000	Total £'000
Cost				
As at 1 April 2019	28,761	1,378	506	30,645
Additions	1,112	-	384	1,496
Transfers	890	-	(890)	-
As at 31 March 2020	30,763	1,378	-	32,141
Accumulated depreciation				
As at 1 April 2019	(18,030)	(1,138)	(33)	(19,201)
Charge in the year	(5,093)	(49)	-	(5,141)
Transfer	(33)	-	33	-
As at 31 March 2020	(23,156)	(1,187)	-	(24,342)
Net book value as at 31 March 2020	**7,607**	**191**	**-**	**7,798**
Net book value as at 31 March 2019	10,731	240	473	11,444

10. Stocks

	2020 £'000	2019 £'000
Finished goods and goods for resale	3,967	4,961

The amount of inventory recognised as an expense during 2020 was £11.2m (2019 £13.3m).

Notes to the financial statements (continued)

11. Debtors

	2020 £'000	2019 £'000
Debtors due within one year		
Trade and other debtors	13,024	14,735
Amounts owed by group undertakings	143,143	136,666
Prepayments	6,844	4,761
	163,011	156,162

Amounts owed by group undertakings include a loan to British Telecommunications plc of £182.7m (2019: £179.0m) which is interest bearing (closing twelve month GBP LIBOR plus 42.5 basis points applicable deposit margin), unsecured and repayable on demand. The remaining balance is unsecured, interest free and repayable on demand.

12. Deferred tax assets

	2020 £'000	2019 £'000
Deferred tax asset comprises:		
Difference between accumulated depreciation and capital allowance	1,436	911
Other temporary differences	29	33
Deferred tax asset	1,465	944

	2020 £'000	2019 £'000
Opening deferred tax asset	944	1,367
Deferred tax credited / (charged) in the profit and loss account	521	(423)
Closing deferred tax asset	1,465	944

13. Cash and cash equivalents

The Company, certain fellow subsidiaries and parent companies participate in a cash pooling arrangement and have jointly and severally guaranteed amounts owing to the Company's bankers by any participating company. The liability of the Company is limited to the amounts standing to the credit of the Company's accounts with the bank. All cash and cash equivalents balances are reconciling items due to timing differences.

Notes to the financial statements (continued)

14. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
Trade and other payables	5,659	9,884
Other taxation and social security	19,408	19,239
Corporation taxes	18,656	17,886
Accruals	10,230	17,839
Cash and cash equivalents	864	1,221
	54,817	66,069

15. 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 £1,612,301 (2019: £1,077,662). The amount of outstanding contributions at the year-end amounted to £155,701 (2019: £195,354).

Notes to the financial statements (continued)

16. Controlling entity

The Company is a wholly owned subsidiary of British Telecommunications plc, which is the immediate controlling entity. The ultimate controlling entity is 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. 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.

17. Called up share capital

	Number of Shares	£'000
Allotted, called up and fully paid ordinary shares of 0.2p each as at 31 March 2019 and at 31 March 2020	30,343,438	61

18. Events after the reporting period

No events noted.