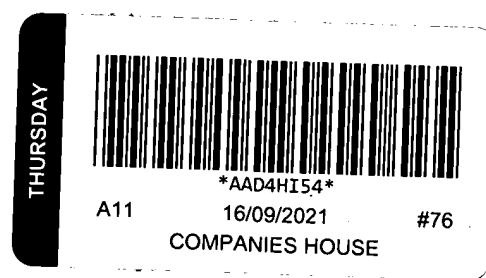


Plusnet plc

Plusnet plc
Annual Report and Financial Statements
for the year ended
31 March 2021

Registered number: 03279013



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Plusnet plc

Directors and Advisors

Directors

Mrs P Smith (*resigned 30 June 2020*)
Mr P Oliver (*resigned 30 June 2020*)
Mr M Allera
Mr S Harris
Mr S Calvert
Miss A Capitanio (*appointed 30 June 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
Chartered Accountants and Statutory Auditor
15 Canada Square
London
E14 5GL

Banker

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

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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 2021.

Review of business

The UK broadband market remains very competitive, with other providers offering discounted broadband and phone bundles in order to gain market share. Increase in demand for fibre optic broadband continued during the year with customers prioritising speed and reliability as they are increasingly reliant on their broadband connection for working from home or home-schooling. During the year Plusnet 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:

	2021	2020
	£m	£m
Turnover	418	418
Gross profit	185	201
EBITDA	97	104
Customer volume growth %	5%	2%
Number of employees	1,049	1,526

Turnover is flat year-on-year with a 5% increase in the customer base being offset by a larger proportion of customers being in-contract and paying lower prices. Gross margin percentage has decreased by 4 p.p. reflecting flat Revenue and a larger proportion of customers on lower-margin fibre optic products. Reduced EBITDA reflects a lower gross profit partially offset by lower admin costs.

Net assets have decreased by 5% to £163m (2020: £171m), this primarily a result of lower capex additions and higher depreciation reducing the value of Non-Current Assets.

During the year Plusnet has continued to focus on the value broadband and phone market as well as growing market share in the SIM-only mobile sector. In the last 12 months the increase in home-working has highlighted the importance of home connectivity and reliable, high-speed broadband. As a result fibre optic broadband has also grown strongly during the year, with 68% of the Company's broadband customers now have a fibre product.

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 8th year in succession from 'uSwitch'. Plusnet also won the following awards at the annual 'uSwitch' Broadband Awards: 'Broadband Provider of the Year', 'Most Popular Broadband Provider' and 'Best Value Broadband Provider'.

During the year the average number of employees has decreased by 31%. This decrease is as a result of the TUPE of all corporate employees to BT plc in February 2020. The cost of many of these employees continued to be recognised in Plusnet via recharges.

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Plusnet plc

Strategic report (continued)

Risk and uncertainties

How the Company manages risk

During the last year, Plusnet has introduced a new risk management framework to help risk owners make the right decisions and take on the right risks, whilst operating with discipline. The risk management framework provides reasonable (but not absolute) assurance that risks and uncertainties posing a threat to the Company's business objectives are identified, assessed, managed, and monitored.

Plusnet's Principal Risk and Uncertainties

The principal risks are listed below and are categorised into strategic, compliance and operational risks.

Strategic risks

- Strategy and Competition

Compliance

- Data Regulation
- Communications regulation

Operational risks

- Third Party Management
- Transformation Delivery
- Customer Service and Billing
- People, Health and Safety

Please refer to the Director's report for further information on financial risk management.

Strategic Risks

Strategy and Competition

Risk description:

- Failing to prepare and respond to uncertain and/or worsening political or economic conditions, technological developments, growing competition or failing to create new products and services to keep up with customer expectations and market dynamics.

Why this risk is important to Plusnet:

- COVID-19 and Brexit have contributed towards economic uncertainties which could impact customers, resulting in reduced demand for Plusnet's products and services.
- New technology developments, entrants and mergers within the marketplace and growing competition could affect Plusnet's position in the market as a leading value provider.
- Plusnet's Uswitch leadership status validates the Company's commitment to maintain a competitive lead in the marketplace whilst providing commercial benefits.

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Plusnet plc

Strategic report (continued)

Examples of how the Company manages the risk:

- Perform analysis on how the Company can manage the product portfolio against an uncertain economic outlook.
- Monitoring technology developments and competitor activity.

Compliance

Data Regulation

Risk description:

- The Company or contracted third parties fail to fulfil obligations towards existing data regulations and/or fail to properly anticipate and prepare for future data regulations.

Why this risk is important to Plusnet:

- Data protection breaches result in significant reputational damage, loss of customer trust, harm to Company employees, customers, and suppliers.
- The financial loss from fines, penalties and potential litigation could be substantial.

Examples of how the Company manages the risk:

- A Data Governance programme addresses existing and future data regulatory risks.
- Data protection/handling training and tools are provided to Company employees to support risk-aware decisions in daily activities.
- Reviewing activities across the Company that utilise personal data to ensure compliance with data protection policies.

Communications Regulation

Risk description:

- Non-compliance with regulations set out by its regulators, notably Ofcom. This includes new and future regulations which could materially impact the Company's operation.

Why this risk is important to Plusnet:

- Non-compliance can result in regulatory action, leading to reputational damage, loss of public trust and financial loss.
- A lack of supportive regulation can reduce the Company's ability to invest at pace and scale, impacting innovation.

Examples of how the Company manages the risk:

- Proactively engaging with regulators on multiple policy matters.
- Carefully complying with regulation to build trust, enabling future dialogue with policymakers.
- Provide training programmes to coach and develop employees with regulatory responsibilities.

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Plusnet plc

Strategic report (continued)

Operational Risks

Third Party Management

Risk description:

- Failure of the third party selection process or the ongoing management of third parties and supply chain. This includes the Company impact of supplier dependences where Brexit, COVID-19 or suppliers based in specific geographic locations could cause disruption.

Why this risk is important to Plusnet:

- Failing to properly manage suppliers and sub-suppliers could result in business disruption, regulatory fines, and reputational damage.
- Selecting inadequate suppliers to meet the Company's requirements and/or over-dependence on suppliers could result in poor commercial terms with a detrimental impact on Plusnet's strategic, market and competitive position.

Examples of how the Company manages the risk:

- Conduct pre-contract supplier due diligence in a wide range of areas including financial health and regulatory compliance.
- Monitor in life risk management and obtain assurance relating to financial, environmental, social, and labour standards.

Transformation Delivery

Risk description:

- Ineffective implementation of changes required to simplify processes, products and modernise Plusnet's technology could lead to difficulties obtaining the Company's strategic goals.

Why this risk is important to Plusnet:

- Failure to realise transformation benefits could negatively impact customer and colleague experience, operational efficiency, and Plusnet's ability to make future investments.
- Failure to have the right processes, tools, techniques and people in place to execute Plusnet's transformation agenda may impact benefits realisation.

Examples of how the Company manages the risk:

- Investing in new capabilities and developing employee skills to ensure Plusnet has the right talent to deliver change effectively.
- Monitor performance in each operational area of the Company's plan using financial and non-financial measures to ensure value is generated.

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Plusnet plc

Strategic report (continued)

Customer Service and Billing

Risk description:

- Failure to provide Plusnet's customers with quality, cost-effective service and trouble-free billing could impact the Company's ability to grow and retain customer relationships. This includes the risk of impacted service levels due to COVID-19.

Why this risk is important to Plusnet:

- Failure to maintain customer satisfaction through competitive propositions and outstanding levels of customer service will increase the risk of customer churn and reputational damage.
- Billing inaccuracy can result in a reduction of customer advocacy, regulatory intervention, financial loss as well as reputational damage.

Examples of how the Company manages the risk:

- Planning with all customer service suppliers to manage the future impact of a pandemic resurgence.
- Billing incident processes monitor, report and resolve potential billing issues.

People, Health and Safety

Risk description:

- Ability to fulfil the Company's duty of care to manage and control risks that could impact employee health, safety, wellbeing, and engagement. This includes colleague health, social and workplace impacts of COVID-19.

Why this risk is important to Plusnet:

- Failure to provide a safe working environment for colleagues can result in accidents, penalties and reputational damage.
- Poor engagement can undermine productivity, innovation, and the pace of transformation and/or potentially lead to industrial action.

Examples of how the Company manages the risk:

- Monitor the health, safety, and wellbeing of Company colleagues through surveys and focus groups and measure performance using an incident reporting system.
- Provide health, safety and wellbeing training to all Plusnet colleagues and provide clear responsibilities and accountabilities.
- Implement COVID-secure workplaces and support staff to work from home.

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Plusnet plc

Strategic report (continued)

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.

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Plusnet plc

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 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 2021 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 2021, the Board recommended an interim dividend of £75m. 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


Stephen Harris (Sep 9, 2021 12:30 GMT+1)

Stephen Harris

9th September 2021

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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 £82.4m (2020: £95.8m). The tax on profit was £15.8m (2020: £18.1m) which results in a profit for the financial year of £66.6m (2020: £77.6m).

Dividends

The directors have declared and paid a dividend amounting to £75.0m (2020: £50.0m).

Political contributions

The Company made no political donations or incurred any political expenditure during the year (2020: £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:

Mrs P Smith (*resigned 30 June 2020*)

Mr P Oliver (*resigned 30 June 2020*)

Mr M Allera

Mr S Harris

Mr S Calvert

Miss A Capitanio (*appointed 30 June 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 2021, which does not form part of this report.

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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 the Group level. For more information on the group level engagement, see the stakeholders section in the strategic report of BT Group plc Annual Report.

The BT Board receives regular updates from the Chief Executive on its colleagues, progress against key people strategy initiatives and overall sentiment within the organisation. The Covid-19 pandemic, combined with its cultural transformation programme and efforts on diversity and inclusion, meant that wellbeing was a focus of the BT Board's discussions on colleagues this year. The BT Board also spent time discussing people and culture and the diversity and inclusion strategy at its meetings this year.

The BT Board uses the Colleague Board as its primary method of direct communication with its workforce. Isabel Hudson, as designated non-executive director for workforce engagement, is the primary liaison and she has discussions with Colleague Board members both through the formal meetings and informal discussions.

Once 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. This year Plusnet colleagues also shared feedback about how they were feeling during the first phase of the pandemic.

When Plusnet responds to feedback from colleagues, it first picks areas and initiatives that will make the biggest and quickest impact. Longer term, Plusnet continually shapes and informs what it does to create a culture where colleagues can be their best – with a focus on skills development, diversity and inclusion, and health, safety and wellbeing.

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Plusnet plc

Directors' report (continued)

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. It is financially strong with net assets of £163m 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.

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Plusnet plc

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 10 to 13 was approved by the Board of directors on 2nd September 2021 and were signed on its behalf by:


Stephen Harris (Sep 9, 2021 12:30 GMT+1)

Stephen Harris

9th September 2021

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Plusnet plc

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.

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Independent auditor's report to the members of Plusnet plc

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Plusnet PLC ("the company") for the year ended 31 March 2021 which comprise profit & 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 2021 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").

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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the company will continue in operation.

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Independent auditor's report to the members of Plusnet plc - continued

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud that apply to this company as well as enquiring whether the directors have knowledge of any actual, suspected or alleged fraud;
- Reading board minutes;
- Using analytical procedures to identify unusual or unexpected relationships.

As required by auditing standards, and taking into account possible pressures to meet profit targets, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because revenue is not judgemental and consists of a high number of low value transactions..

We did not identify additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual accounts.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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Independent auditor's report to the members of Plusnet plc - continued

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law, regulations affecting telecommunication providers and certain aspects of company legislation, recognising the nature of the company's activities (including compliance with Ofcom regulation). Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and director's 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 the 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.

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Independent auditor's report to the members of Plusnet plc - continued

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 14, 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.

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.

Kate Teal

Kate Teal (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
66 Queen Square
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Plusnet plc

Profit and Loss Account and Other Comprehensive Income
for the year ended 31 March 2021

	Note	2021 £'000	2020 £'000
Turnover	2	418,453	417,687
Cost of sales		(233,357)	(216,494)
Gross profit		185,096	201,193
Administrative expenses		(104,234)	(107,652)
Operating profit	3	80,862	93,541
Interest receivable and similar income	5	1,612	2,339
Interest payable and similar expenses	5	(99)	(115)
Profit before tax		82,375	95,765
Tax on profit	8	(15,808)	(18,135)
Profit for the financial year		66,567	77,630

All results derive from continuing operations.

There has been no other comprehensive income during either 2021 or 2020 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 22 to 38 form an integral part of these financial statements.

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Plusnet plc

Balance Sheet at 31 March 2021

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	9	35,345	40,861
Tangible assets	10	6,940	7,798
Contract assets	2	135	181
Deferred contract costs	2	1,736	1,742
		<u>44,156</u>	<u>50,582</u>
Current assets			
Stocks	11	3,279	3,967
Debtors - due within one year	12	18,331	19,868
Amounts owed by Group undertakings	12	139,752	143,143
Contract assets	2	7,526	6,832
Deferred contract costs	2	18,138	16,685
Deferred tax asset	13	1,838	1,465
		<u>188,864</u>	<u>191,960</u>
Total assets		<u>233,020</u>	<u>242,542</u>
Creditors: amounts falling due within one year:			
Trade and other payables	15	(55,317)	(54,817)
Contract liabilities	2	(14,400)	(16,419)
		<u>(69,717)</u>	<u>(71,236)</u>
Net current assets		<u>119,147</u>	<u>120,724</u>
Total assets less current liabilities		<u>163,303</u>	<u>171,306</u>
Net assets		<u>163,303</u>	<u>171,306</u>
Equity			
Called up share capital	18	61	61
Share premium account		3,339	3,339
Retained earnings		<u>159,903</u>	<u>167,906</u>
Total equity		<u>163,303</u>	<u>171,306</u>

The notes on pages 22 to 38 form an integral part of these financial statements.

The financial statements on pages 19 to 38 were approved and authorised for issue by the board of directors and were signed on its behalf by:


Stephen Harris (Sep 9, 2021 12:30 GMT+1)

Stephen Harris
Director

9th September 2021

Company registered number - 03279013

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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 2020	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
Balance at 1 April 2020	61	3,339	167,906	171,306
Profit for the financial year	-	-	66,567	66,567
Total comprehensive income for the year	-	-	66,567	66,567
Dividends	-	-	(75,000)	(75,000)
Share based payments	-	-	430	430
Balance at 31 March 2021	61	3,339	159,903	163,303

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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 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. It is financially strong with net assets of £163m 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.

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Notes to the financial statements (continued)

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

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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 requires management to exercise judgement in the process of applying the company's accounting policies.

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 2021 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.

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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.

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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. Software licences with perpetual terms are amortised over 3 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. 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.

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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 17 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.

Depreciation and Amortisation of Assets

The Company has a number of tangible and intangible assets held on the statement of financial position. Such assets are held as assets under construction until such a time as they are fully constructed, brought into use and capable of operating in the manner as intended by management. The key judgement made by management is determining the timing of when the asset is brought into use and capable of operating in the manner as intended by management.

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 9 and 10. The useful lives applied to the principal categories of assets are disclosed on page 26.

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Plusnet plc

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.

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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:

	2021 £'000	2020 £'000
External turnover	<u>418,453</u>	<u>417,687</u>

(i) Contract assets and liabilities

	2021 £'000	2020 £'000
Contract assets – opening balance	7,013	7,200
Contract assets – closing balance	7,661	7,013
Contract liabilities – opening balance	(16,419)	(17,798)
Contract liabilities – closing balance	<u>(14,400)</u>	<u>(16,419)</u>

No impairment losses were recognised in the year (2020: £nil). £16.4m recognised as a contract liability at 1 April 2020 was recognised as revenue during the period. Revenue of £199.6m (2020: £172.2m) 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.

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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 2020	10,477	1,570	6,380	18,427
Additions	18,032	2,918	11,414	32,364
Released	(17,701)	(2,678)	(10,537)	(30,916)
At 31 March 2021	10,808	1,809	7,257	19,874

3. EBITDA

	2021 £'000	2020 £'000
Profit before tax	82,375	95,765
<i>Add back:</i>		
Finance expense	99	115
Interest receivable	(1,612)	(2,339)
Amortisation and depreciation	15,903	10,487
EBITDA	96,765	104,028

Earnings before Interest, Tax, Depreciation and Amortisation, and share of profits of associates and joint ventures ("EBITDA") is not a defined financial measure defined by FRS 101 as a measurement of financial performance and may not be comparable to other similarly titled indicators used by other companies. In line with the BT Group plc accounting policies the definition of EBITDA also excludes exceptional items. EBITDA is provided as additional information only and should not be considered as a substitute for operating profit or net cash provided by operating activities.

The Company's management believes that EBITDA is meaningful for users of the financial statements because it provides an analysis of operating results and profitability using the same measures used by management. As a consequence, EBITDA is provided in addition to operating profit. EBITDA is a key measure of operating profitability used to i) implement investments and resource-allocation strategy, and ii) assess the performance of the management.

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Plusnet plc

Notes to the financial statements (continued)

4. Expenses and auditor's remuneration

Included in profit/loss are the following:

	2021 £'000	2020 £'000
Depreciation of tangible assets	4,425	5,141
Amortisation of intangible assets	11,478	5,346
Audit fees payable to the auditors for the statutory audit of the Company's financial statements	79	68

Fees paid to KPMG LLP for non-audit services in the UK were £nil (2020: £nil).

5. Interest receivable and payable

	2021 £'000	2020 £'000
Interest receivable from group undertakings	1,612	2,339
Interest payable to group undertakings	(99)	(115)

6. Directors' remuneration

	2021 £'000	2020 £'000
Directors' remuneration	-	437
Contributions under defined contribution pension scheme	-	8
	-	445

The emoluments paid to the highest paid director were nil (2020: £445,000).

Mr M Allera, Mr S Harris, Miss A Capitano and Mr S Calvert 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.

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Notes to the financial statements (continued)

7. Employee information

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

	2021 Number	2020 Number
Senior executives	-	4
Professional roles/administration	-	316
Operations	<u>1,049</u>	<u>1,206</u>
	<u>1,049</u>	<u>1,526</u>

Employment costs of all employees included above amounted to:

	2021 £'000	2020 £'000
Wages and salaries	26,145	42,209
Social security costs	2,036	3,723
Other pension costs	875	1,612
Share based payments	<u>430</u>	<u>333</u>
	<u>29,486</u>	<u>47,877</u>

8. Taxation

	2021 £'000	2020 £'000
Current tax:		
UK corporation tax current year	16,181	18,656
Deferred tax:		
Origination and reversal of timing differences	(389)	(244)
Re-measurement of deferred tax balances	-	(128)
Amounts under/(over) provided in previous years	<u>16</u>	<u>(149)</u>
Total deferred tax	<u>(373)</u>	<u>(521)</u>
Tax expense in the income statement	<u>15,808</u>	<u>18,135</u>

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Notes to the financial statements (continued)

8. 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% (2020: 19%). The differences are reconciled below.

	2021 £'000	2020 £'000
Profit for the year	66,567	77,630
Total tax expense	15,808	18,135
Profit excluding taxation	82,375	95,765
Tax calculated at UK standard rate of corporation tax of 19% (2019: 19%)	15,652	18,195
Effects of:		
Expenses not deductible for tax purposes	82	69
Non qualifying asset	58	148
Re-measurement of deferred tax balances	-	(128)
Accounting policy change – Tax impact of Opening Balance Sheet adjustment	-	-
Tax (over)/under provided in previous years	16	(149)
	<u>15,808</u>	<u>18,135</u>

Factors affecting current and future tax charges

During the Chancellor's Budget on 3 March 2021, a UK corporation tax rate increase from 19% to 25%, effective from 1 April 2023 was announced. This will increase the company's future current tax charge/credit accordingly.

As this rate change was not substantively enacted as at 31 March 2021, deferred tax assets and liabilities within these financial statements continue to be measured at 19%, the enacted rate at which they are expected to reverse. In the event that the rate change is enacted alongside other proposed measures, the company estimates that the impact of revaluing existing deferred tax assets and liabilities will be a £456,000 income statement credit and a corresponding £456,000 increase in deferred tax assets at 31 March 2021.

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Notes to the financial statements (continued)

9. Intangible assets

	External software £'000	Internal software £'000	Customer base £'000	Software in course of construction £'000	Total £'000
Cost					
As at 1 April 2020	7,273	39,127	5,510	14,412	66,322
Additions	-	4,167	-	1,791	5,958
Transfers	(1,181)	15,941	-	(14,760)	-
Adjustments	-	-	-	5	5
As at 31 March 2021	6,092	59,235	5,510	1,448	72,285
Accumulated amortisation					
As at 1 April 2020	(4,743)	(15,518)	(5,200)	-	(25,461)
Charge in the year	(1,145)	(10,023)	(310)	-	(11,478)
Transfers	-	-	-	-	-
As at 31 March 2021	(5,888)	(25,541)	(5,510)	-	(36,939)
Net book value as at 31 March 2021	202	33,694	-	1,448	35,346
Net book value as at 31 March 2020	2,530	23,609	310	14,412	40,861

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Notes to the financial statements (continued)

10. Tangible assets

	Computer equipment £'000	Fixtures and Fittings £'000	Asset in course of construction £'000	Total £'000
Cost				
As at 1 April 2020	30,763	1,378	-	32,141
Additions	3,479	-	-	3,479
Transfers	-	-	-	-
Adjustments	88	-	-	88
As at 31 March 2021	34,330	1,378	-	35,708
Accumulated depreciation				
As at 1 April 2020	(23,156)	(1,187)	-	(24,343)
Charge in the year	(4,378)	(47)	-	(4,425)
Transfer	-	-	-	-
As at 31 March 2021	(27,534)	(1,234)	-	(28,768)
Net book value as at 31 March 2021	6,796	144	-	6,940
Net book value as at 31 March 2020	7,607	191	-	7,798

11. Stocks

	2021 £'000	2020 £'000
Finished goods and goods for resale	<u>3,279</u>	<u>3,967</u>

The amount of inventory recognised as an expense during 2021 was £14.1m (2020 £11.2m).

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Notes to the financial statements (continued)

12. Debtors

	2021 £'000	2020 £'000
Debtors due within one year		
Trade and other debtors	11,334	13,024
Amounts owed by group undertakings	139,752	143,143
Prepayments	6,997	6,844
	<u>158,083</u>	<u>163,011</u>

Amounts owed by group undertakings include a loan to British Telecommunications plc of £173.9m (2020: £182.7m) 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 net of any intercompany creditors balances, unsecured, interest free and repayable on demand.

13. Deferred tax assets

	2021 £'000	2020 £'000
Deferred tax asset comprises:		
Difference between accumulated depreciation and capital allowance	1,811	1,436
Other temporary differences	27	29
Deferred tax asset	<u>1,838</u>	<u>1,465</u>
	2021 £'000	2020 £'000
Opening deferred tax asset	1,465	944
Deferred tax credited / (charged) in the profit and loss account	373	521
	<u>1,838</u>	<u>1,465</u>

14. 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.

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Notes to the financial statements (continued)

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade and other payables	9,305	5,659
Other taxation and social security	19,305	19,408
Corporation taxes	16,181	18,656
Accruals	9,823	10,230
Bank overdraft	703	864
	<u>55,317</u>	<u>54,817</u>

16. 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 £0.9m (2020: £1.6m). The amount of outstanding contributions at the year-end amounted to £0.1m (2020: £0.2m).

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Notes to the financial statements (continued)

17. 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.

18. Called up share capital

	Number of Shares	£'000
Allotted, called up and fully paid ordinary shares of 0.2p each as at 31 March 2020 and at 31 March 2021	<u>30,343,438</u>	<u>61</u>

19. Events after the reporting period

No events noted.

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