

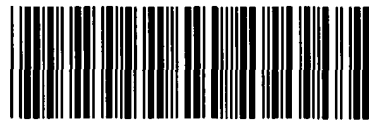
Openreach Limited

Annual Report and Financial Statements

31 March 2019

Registered number: 10690039

SATURDAY



A06 *A8BK5TSR* #156
10/08/2019
COMPANIES HOUSE

Openreach Limited

Contents:

	Page
Corporate Information	2
Strategic Report	3
Directors' Report	5
Statement of Directors' Responsibilities	8
Independent Auditor's Report	9
Profit and Loss Account	12
Balance Sheet	13
Statement of Changes in Equity	14
Notes to the Financial Statements	15

Openreach Limited

Corporate Information

Directors

E Astle

B Barber

E Benison

M Davies

S Lowth

R McTighe

C Selley

Secretary

J Furmston

Auditor

KPMG LLP
15 Canada Square,
London. E14 5GL

Registered Office

123 Judd Street
London
WC1H 9NP

Openreach Limited

Strategic Report

The directors present their strategic report for Openreach Limited for the year ended 31 March 2019.

Business Review

Openreach Limited was set up as part of the regulatory agreement reached between BT plc and Ofcom under the Digital Communications Review (“DCR”). During the year the Company has continued to carry out its principal activities which are to set the Openreach strategy (within BT plc’s overall strategic framework), employ Openreach employees and to oversee and manage the performance of the Openreach Customer Facing Unit (“CFU”), a division of BT plc on behalf of BT plc within a framework agreed between the Company and BT plc.

BT plc has committed to fund the costs of the services provided by the Company, initially in accordance with the Transitional Agreement contract executed on 15 December 2017 between the Company and BT plc and subsequently in accordance with the Agency & Services Agreement which came into effect on 1 October 2018, resulting in the automatic termination of the Transitional Agreement.

The Company does not own any assets or conduct trading, benefit from the rewards nor bear the risks of those assets and trading. Ownership of assets and trading and such risks and rewards has been retained by BT plc.

The Company has managed and operated the Openreach CFU on behalf of BT plc, including acting as agent for the account of BT plc to manage all trading of the Openreach CFU. On 1 October 2018 in accordance with the Agency and Services Agreement and the requirements of the DCR all 31,841 Openreach CFU employees were transferred via a transfer of undertakings (TUPE arrangement) into Openreach Limited.

In accordance with the Transitional Agreement and subsequently the Agency and Services Agreement, the Company has recharged all costs to BT plc and as such has no profit or loss in the year and no net assets.

Principal risks and uncertainties

The principal risks to which BT Group plc (the ultimate controlling entity of the Company) is exposed are also the principal matters which would create risk and uncertainty for the Company. These are managed by the directors of BT Group plc at the group level rather than at an individual business unit level. They are discussed in the Strategic report of the BT Group plc’s 2019 Annual Report which does not form part of this report.

Openreach Limited

Strategic Report (continued)

Key Performance Indicators

Due to the simple operating nature of the Company the reporting of key performance indicators is not necessary or appropriate for an understanding of the performance or position of the business of the Company.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Jon Furmston', with a long horizontal stroke extending to the right.

Jon Furmston

Company Secretary

Openreach Limited

1 August 2019

Openreach Limited

Directors' Report

The directors present their report for the year ended 31 March 2019. The comparative results relate to a long accounting period from the date of incorporation on 24 March 2017 to 31 March 2018.

Directors

The directors of the Company who were in office during the year to 31 March 2019 and up to the date of signing the financial statements were as follows:

E Astle

B Barber

E Benison

M Davies

S Lowth

R McTighe

C Selley

There have been no appointments or resignations in the year.

Results

The result before and after taxation for the year was £nil, (2018, £nil).

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2019 (2018: £nil).

Going concern

The directors believe that preparing the financial statements on the going concern basis is appropriate due to the continued financial support provided by BT plc. BT plc has committed to fund the future costs of the services provided by the Company in accordance with the Agency and Services Agreement executed on 1 October 2018 between the Company and BT plc. Please refer to the accounting policies (page 15-18) for further details.

Directors' report (continued)

Disabled Employees

The Company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Company's policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Political and Charitable Expenditure

The Company made no political or charitable contributions in the year (2018: £nil). As part of our commitment to support charities and communities, Openreach employees may spend up to three working days a year volunteering. Volunteering means they can use their skills, energy and enthusiasm to tackle an issue or make a practical difference in their communities.

Employee involvement

The Company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2005. During the year, the policy of providing employees with information, including information relating to the economic and financial factors affecting the performance of the Company has been continued through the weekly newsletter "The Loop". In addition the quarterly "Your Say" employee engagement survey is followed up with employees providing an opportunity for sharing their views on how to improve the local and corporate working environment. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

Directors' liabilities

As permitted by the Articles of Association, the Directors have the benefit of 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 plc and applicable to the directors of the Company 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.

Openreach Limited

Directors' report (continued)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he/ she ought to have taken as a director to make himself/ herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

On 22 April 2019 KPMG LLP was appointed subsequent to the predecessor auditor ceasing to hold office. In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG will therefore continue in office. The directors' report on pages 5 to 7 was approved by the Board of Directors on 1 August 2019 and was signed on its behalf by



Jon Furmston

Company Secretary

By order of the Board
for and on behalf of Openreach Limited

123 Judd Street
London WC1H 9NP
1 August 2019

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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Openreach Limited

Independent Auditor's Report to the Members of Openreach Limited

Opinion

We have audited the financial statements of Openreach Limited ("the Company") for the year ended 31 March 2019 which comprise the income statement, balance sheet, and statement of changes in equity, and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 and of its result 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.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Company and this is particularly the case in relation to Brexit.

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, including the impact of Brexit, 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.

Openreach Limited

Independent Auditor's Report to the Members of Openreach Limited (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 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.

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 8, 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.

Openreach Limited

Independent Auditor's Report to the Members of Openreach Limited (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.



John Luke (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

London

E14 5GL

1 August 2019

Openreach Limited

Profit and Loss account for the year ended 31 March 2019

	Note	Year ended 31 March 2019 £000	Period ended 31 March 2018 £000
Turnover	4	873,486	2,543
Administration expenses	5	(873,486)	(2,543)
		<hr/>	<hr/>
Result before taxation		-	-
Tax on result on ordinary activities	9	-	-
		<hr/>	<hr/>
Result for the financial year		-	-
		<hr/> <hr/>	<hr/> <hr/>

All results derive from ordinary activity and continuing operations.

There has been no other comprehensive income during the financial periods ending 31 March 2019 or 31 March 2018 other than as disclosed in the Profit and Loss account above and therefore no separate statement of total comprehensive income has been presented.

The notes on pages 15 to 23 form part of the financial statements.

Openreach Limited

Balance sheet as at 31 March 2019

	Notes	31 March 2019 £000	31 March 2018 £000
Non Current Assets			
Deferred Tax Assets	10	-	114
Current Assets			
Debtors	11	284,312	2,514
Total Assets		<u>284,312</u>	<u>2,628</u>
Creditors: Amounts due within one year	12	(284,312)	(2,046)
Net Current Assets		<u>-</u>	<u>468</u>
Total Assets less current liabilities		<u>-</u>	<u>582</u>
Creditors: Amounts falling due after more than one year	13	-	(582)
Equity			
Called up share capital	14	-	-
Profit and Loss Account		<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

The notes on pages 15-23 form part of these financial statements.

These financial statements were approved by the Board of Directors on 1 August 2019 and were signed on its behalf by:



Matthew Davies

Director

Openreach Limited

Openreach Limited

Statement of changes in equity to 31 March 2019

	Called up share capital £000	Retained Earnings £000	Total Equity £000
At 24 March 2017	-	-	-
Issue of share capital	-	-	-
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2018	-	-	-
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2019	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Openreach Limited

Notes to the Financial Statements

1. General information

The principal activity of the Company is to set the Openreach strategy (within BT plc's overall strategic framework), to oversee and manage the performance of the Openreach Customer Facing Unit ("CFU") (a division of BT plc) on behalf of BT plc within a framework agreed between the Company and BT plc and employ the Openreach CFU employees. The Company shall not own any assets or trading (past, current or future) that comprise the Openreach CFU nor benefit from the rewards nor bear the risks of those assets and trading. Such ownership and trading and such risks and rewards shall be retained by BT plc.

The Company is a private company, limited by shares, incorporated and domiciled in the UK. The address of its registered office is 123 Judd Street, London WC1H 9NP.

2. Basis of Preparation and Authorisation of Financial Statements

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The financial statements of Openreach Limited (the "Company") for the year ended 31 March 2019 were authorised for issue by the Board of Directors on 1 August 2019 and the balance sheet was signed on the board's behalf by Matthew Davies. Openreach Limited is incorporated and domiciled in England and Wales.

The Company's financial statement are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The results are included within the consolidated financial statements of BT plc which are available from 81 Newgate Street, London EC1A 7AJ.

3. Accounting policies

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard. The following exemptions have been taken:

- The requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based payment because the share based payment arrangement concerns the instruments of the group entity.
- The requirements of IAS 7 Statement of Cash Flows

Openreach Limited

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

- The requirements of paragraphs 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.
- The requirements of the second sentence of paragraph 110 and paragraphs 113 (a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS15 “Revenue from Contracts with Customers”.
- The following paragraphs of IAS 1 ‘Presentation of Financial Statements’:
 - 10(d) (statement of cash flows);
 - 10(f) (third statement of financial position);
 - 16 (statement of compliance with all IFRS);
 - 38A (requirement for minimum of two primary statements including cash flow statements);
 - 38B-D (additional comparative information);
 - 40A-D (third statement of financial position);
 - 111 (cash flow statement information) and;
 - 134 to 136 (capital management disclosures).

Going concern

BT plc has committed to fund the costs of the services provided by the Company in accordance with the Agency and Services Agreement contract executed on 1 October 2018 between the Company and BT plc. On the basis of this agreement the directors are satisfied that the Company will continue to be able to meet its commitments as they fall due, they therefore believe that preparing the financial statements on the going concern basis is appropriate.

Turnover

Revenue represents the fair value of the consideration received or receivable for the service of setting the strategy, employing Openreach CFU employees and overseeing and managing the performance of the Openreach CFU. Revenue is recognised when it is probable that the economic benefits associated with a transaction will flow to the Company and the amount of revenue and associated costs can be measured reliably. In providing services the Company acts as both an agent, managing the trading of the Openreach CFU (a division of BT plc) whilst utilising the net assets of BT plc, and as a principal, providing the services to operate and manage the Openreach CFU by employing Openreach staff directly.

In accordance with IFRS15 requirements gross revenue is only recorded in respect of activities where the Company is acting as a principal.

Openreach Limited

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

Pensions

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 results represents the contributions payable to the scheme in respect of the accounting period.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However the nature of estimation means that actual outcomes could differ from those estimates.

Financial instruments

Financial liabilities at amortised cost – trade and other payables

Financial liabilities within trade and other payables are initially recognised at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Financial assets at amortised cost – trade and other receivables

Trade and other receivables are initially recognised at fair value, which is usually the original invoiced amount, and are subsequently carried at amortised cost, using the effective interest method, less provisions made for doubtful receivables. Provisions are made specifically where there is evidence of a risk of non-payment, taking into account ageing, previous losses experienced and general economic conditions.

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.

Deferred tax is recognised, using the liability method, in respect of temporary differences between the carrying amount of the group's assets and liabilities and their tax base. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities. Any remaining 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, in the foreseeable future against which the deductible temporary difference can be utilised.

Openreach Limited

Notes to the Financial Statements (continued)

3. Accounting policies (continued)

Deferred tax is determined using tax rates that are expected to apply in the 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.

Share based payments

The ultimate parent undertaking, BT Group plc, operates a number of equity settled share based arrangements, as detailed in the BT Group plc consolidated financial statements, under which the Company receives services from employees as consideration for equity instruments (share options and shares) of BT Group plc. The Company also accounts for these as equity settled. Equity settled share based payments are measured at fair value at the date of grant after taking into account the Company's best estimate of the number of awards expected to vest. For share based payments to employees of the Company, the fair value determined at the date of grant is expensed on a straight line basis. This expense is recharged from BT plc in line with the terms of the Agency and Services Agreement signed between the parties on 1 October 2018.

Administrative expenses

Administrative expenses represents expenses incurred in the normal course of business and management fees paid to related parties incurred in the normal course of business. All administrative expenses are recognised when incurred.

4. Turnover

All revenue derives from services provided to BT plc within the United Kingdom.

The result before tax of the Company during the period was attributable to activities wholly carried out in the United Kingdom.

5. Operating result

Operating result is stated after charging:

	Year ended 31 March 2019 £000	Period ended 31 March 2018 £000
Staff Costs (see note 8)	858,605	2,343
Other administrative expenses	14,881	200
Administrative expenses	<u>873,486</u>	<u>2,543</u>

Openreach Limited

Notes to the Financial Statements (continued)

6. Directors' emoluments

The following emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2019 (2018: appointment date to 31 March 2018).

	Year ended 31 March 2019 £000	Period ended 31 March 2018 (restated) £000
Directors remuneration	2,539	594
Company contributions in respect of money purchase pension schemes	10	2
	<u>2,549</u>	<u>596</u>
Amounts granted under long term incentive schemes	1,775	-
	<u>1,775</u>	<u>-</u>

S Lowth, a director, is employed by, and receives his emoluments from BT Group plc in respect of his services to the BT Group as a whole. This director, holding office during the year, considers his services to the Company as incidental to his other duties within BT Group plc and accordingly no remuneration has been apportioned to the Company (2018: nil).

	Year ended 31 March 2019	Period ended 31 March 2018
Number of directors accruing benefit under defined contribution scheme	1	1

Included above are the following amounts paid to the highest paid director:

	Year ended 31 March 2019 £000	Period ended 31 March 2018 (restated) £000
Aggregate remuneration (excluding long term incentives)	1,343	297
	<u>1,343</u>	<u>297</u>

Openreach Limited

Notes to the Financial Statements (continued)

7. Auditor's remuneration

Fees payable to the Company's auditor, KPMG LLP for the audit of the Company's annual accounts were £55,000 (2018: £18,000 payable to PWC LLP). No non-audit fees were paid to KPMG LLP by the Company in year ended 31 March 2019 (2018: £nil). No non-audit fees were paid to the previous auditor, PWC LLP, in 2018.

8. Employee information

The average number of employees in the Company during the year ended 31 March 2019, following TUPE of the Openreach employees on 1 October 2018, was 16,059 (2018: 4). The number of employees in the Company as at 31 March 2019 was 32,454 (2018: 15).

Employment costs of all employees included above amounted to:

	Year ended 31 March 2019 £000	Period ended 31 March 2018 £000
Wages and Salaries	660,760	1,466
Other long term benefits	17,791	509
Social Security Costs	74,004	291
Other pension costs	101,769	49
Share based payments	4,281	28
	<u>858,605</u>	<u>2,343</u>

9. Taxation

	Year ended 31 March 2019 £000	Period ended 31 March 2018 £000
Current tax:		
UK Corporation tax current period	-	114
Amounts over-provided in previous period	(114)	-
Deferred tax:		
Origination and reversal of timing differences	114	(114)
	<u>-</u>	<u>-</u>
Tax expense/(credit) in the income statement	<u>-</u>	<u>-</u>

Openreach Limited

Notes to the Financial Statements (continued)

9. Taxation (continued)

Reconciliation of the total tax charge

	Year ended 31 March 2019 £000	Period ended 31 March 2018 £000
Accounting profit before tax	-	-
Tax calculated at UK standard rate of corporation tax of 19% (2018: 19%)	-	-
Transfer pricing adjustment	8,298	-
Share based charge not deductible for tax purposes	813	-
Losses surrendered for nil payment	(9,111)	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

Factors affecting current and future tax charges

The rate of UK corporation tax will change from 19% to 17% on 1 April 2020. These rate changes will be applied to the future results of the Company. In terms of future tax charges BT plc has committed that the Company shall suffer no economic outflows for any corporation tax liabilities for so long as the Company remains a wholly owned subsidiary of BT plc.

10. Deferred Taxation

	31 March 2019 £000	31 March 2018 £000
Provision for employee benefits	-	114
Deferred Tax Asset		
Opening deferred tax asset	114	-
Deferred tax (debited)/credited in the income statement	(114)	114
	<u>-</u>	<u>114</u>
Closing deferred tax asset	<u>-</u>	<u>114</u>

Openreach Limited

Notes to the Financial Statements (continued)

11. Debtors

	31 March 2019 £000	31 March 2018 £000
Debtors due within one year		
Amounts owed by group undertakings	284,312	1,932
Debtors due after one year		
Amounts owed by group undertakings	-	582
	<u>284,312</u>	<u>2,514</u>

Amounts owed by group undertakings are paid on demand and are interest free.

12. Creditors - amounts falling due within one year

	31 March 2019 £000	31 March 2018 £000
Trade and other payables	55	18
Amounts owed to group undertakings	144,928	1,184
Other taxation and social security	32,714	214
Other creditors	15,296	131
Accruals	91,319	499
	<u>284,312</u>	<u>2,046</u>

Amounts owed to group undertakings are payable on demand and are interest free.

13. Creditors – amounts falling due after more than one year

	31 March 2019 £000	31 March 2018 £000
Accruals falling due after more than one year	-	582

Openreach Limited

Notes to the Financial Statements (continued)

14. Share Capital

	31 March 2019	31 March 2018
Allotted, called up and fully paid, 1 ordinary share	£1	£1

15. Controlling entity

The Company is a wholly owned subsidiary of BT 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. Consequently the Company is exempt under the terms of IAS 24 “Related Party Disclosures” from disclosing details of transactions and balances with BT Group plc and fellow group subsidiaries provided such subsidiaries are wholly owned members of the group during the year ended 31 March 2019.

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 BT plc, a company incorporated in England & Wales. Copies of the financial statements of BT plc are available from The Secretary, BT plc, 81 Newgate Street, London EC1A 7AJ.

16. Pension obligations

The Company operates a defined contribution group personal pension scheme.

In addition, over the reporting period, one employee accrued benefits in a defined benefit plan. Contributions to this plan have been accounted for on a defined contribution basis on the basis of materiality.

The pension cost charge for the year represents contributions payable by the Company to fund the defined contribution scheme and amounted to £101,769,286 (2018: £49,244). The amount of outstanding contributions at the year end amounted to £15,296,944 (2018: £17,736).

Post Year End

Sections B and C of the BT Pension Scheme were closed to future benefit accrual on 30 June 2018. Non-management employees currently employed by Openreach Limited who were impacted by this closure will be eligible to join a new hybrid pension arrangement, the BT Hybrid Scheme, between 1 April 2019 and 30 September 2019. This new arrangement combines elements of both defined benefit and defined contribution pension schemes.