

Openreach Limited

Annual Report and Financial Statements

For the Year ended 31 March 2024

Registered number: 10690039

Openreach Limited

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Openreach Limited

Corporate Information

Directors

E Astle

A Barron

N Ceeney

M Davies

S Lowth

R McTighe

C Selley

Secretary

J Furmston

Auditor

KPMG LLP
15 Canada Square,
London. E14 5GL

Registered Office

6 Gracechurch Street
London
EC3V 0AT

Openreach Limited

Strategic Report

The directors present their strategic report for Openreach Limited (“the Company”) for the year ended 31 March 2024.

Business Review

Openreach Limited was set up as part of the regulatory agreement reached between British Telecommunications 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 British Telecommunications 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 British Telecommunications plc on behalf of British Telecommunications plc within a framework agreed between the Company and British Telecommunications plc.

British Telecommunications plc has committed to fund the costs of the services provided by the Company, initially in accordance with the Transitional Agreement contract executed on 13 December 2017 between the Company and British Telecommunications 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 Agency & Services Agreement was amended and restated on 28 May 2021.

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 British Telecommunications plc.

The Company has managed and operated the Openreach CFU on behalf of British Telecommunications plc, including acting as agent for the account of British Telecommunications 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 British Telecommunications 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 2024 Annual Report which does not form part of this report.

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Strategic Report (continued)

Principal risks and uncertainties (continued)

In Openreach Limited's role as an employer, we can report that employee relations have noticeably improved during the year, following industrial action in 2022 by Openreach employees who are members of the Communications Workers Union (CWU). In 2023-24, there have been no further pay review disputes and a welcome improvement in employee engagement.

We have continued to assess risks relating to employee safety, in particular progress on our asset safety programme; the identification and remediation of hazards in the building estate, such as asbestos and Reinforced Autoclaved Aerated Concrete (RAAC); and implementation of a refreshed safety culture.

The Openreach CFU has continued to assess the risks and impact of international geo-political tensions, including Russia's invasion of Ukraine and the conflict in Gaza, on our supply chain and operations. UK-specific risks have also remained under review, with high inflation and interest rates during the year, combined with an unsettled political environment, impacting the UK economic climate and consumer confidence. These economic uncertainties, combined with a robust, competitive broadband market, have resulted in losses to our overall broadband numbers. We believe continuing our full fibre rollout at pace is the best response to this risk.

There was significant uncertainty during the year about our progress in withdrawing a legacy product to support closure of a legacy network owned by our parent company and enable the transition to more robust, modern networks and products. BT's decision to delay closure of the relevant legacy network to January 2027 has provided significantly more clarity, allowing Openreach more time to withdraw its product, with the added benefit that our full fibre build will be further progressed, thereby smoothing the transition for customers.

Key Performance Indicators

Openreach Limited does not separately report on any KPIs due to the simple operating nature of the Company. It is therefore not deemed necessary or appropriate for an understanding of the performance or position of the business of the Company. However, in performing its role as agent of the Openreach CFU, the business is required to report to British Telecommunications plc on a range of KPIs that enable the business to measure and monitor the performance of the CFU and thereby the position of the Company. In addition, the CFU completes monthly internal reporting on safety, financial, operational, environmental and HR KPIs. This enables Openreach Limited to manage and monitor the CFU's performance.

Openreach Limited

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 decisions being made. Those factors, for example, include the interests of consumers of our network 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 safety, financial and operational performance at every Board meeting and receive monthly updates on safety and financial performance, with a dedicated Board committee reviewing safety, risk, legal and regulatory compliance and audit matters. We also review other areas over the course of the financial year including the Company's strategy; commercial performance; stakeholder-related matters; diversity and inclusivity; progress on environmental and sustainability measures, public affairs; and governance. 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.

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 in some cases 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 to help the directors to understand the issues to which they must have regard, and the impact of that feedback on decisions, see page 40 of BT Group plc's 2024 Annual Report.

Openreach Limited

Strategic Report (continued)

Section 172(1) Statement (continued)

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, environmental, social and governance 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 that allows us to understand the nature of the stakeholders' concerns and to comply with our section 172 duty to promote success of the company.

Examples 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 include:

- our continued commitment to a rapid, nationwide roll-out of full fibre technology, despite challenging economic circumstances. Throughout the year, the Board has assessed the strength of the Company and its future prospects, relative to uncertainties in the external environment. In continuing to support large-scale investment in full fibre, it has considered a range of factors, including 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 expectations of customers, suppliers and wider stakeholders, as well as the expectations of our members. This has resulted in a further ambition being announced in the year to continue our fibre build beyond the initial programme to pass 25 million premises by the end of 2026, to reach 30 million premises; and
- ongoing commitment to a refreshed safety culture, with a new safety culture training programme completing its rollout to all employees during the year. The Company reviewed its safety culture and processes following the tragic death of an Openreach employee at work and a new safety culture of 'everyone home safe and well', supported by 12 life-saving rules, has been embedded through the Company-wide training programme. The Board has also supported an increased investment in asset safety and safety expertise. The impact of this ongoing programme was demonstrated by 'I feel safe at work' being the top scoring question in our January 2024 employee survey with 91% positive responses.

By Order of the Board



Jon Furmston

Company Secretary

Openreach Limited

29 October 2024

Openreach Limited

Directors' Report

The directors present their report for the year ended 31 March 2024.

Directors

The directors of the Company who were in office during the year to 31 March 2024 and up to the date of signing the financial statements were as follows:

E Astle

A Barron

N Ceeney

M Davies

S Lowth

R McTighe

C Selley

Results

The result before and after taxation for the year was £nil (2023: £nil).

Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 March 2024 (2023: £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 British Telecommunications plc. British Telecommunications 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 British Telecommunications plc and amended and restated on 28 May 2021. Please refer to the accounting policies (pages 22-25) for further details.

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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.

Corporate Governance Code

The Board of Directors (the 'Board') aspires to have and maintain good standards of corporate governance and has adopted a corporate governance code appropriate for the Company.

The Board has chosen not to adopt and report against the 2018 UK Corporate Governance Code, which in its view is designed, and is therefore more appropriate, for premium listed companies. We have instead decided to continue to apply the Wates Corporate Governance Principles for Large Private Companies, believing this to be most appropriate. We note that the Principles recognise that, for companies such as ours which are wholly-owned subsidiaries of a premium listed company, some practices and policies may be set by the Board of the ultimate parent company.

We set out below how we have applied these principles during the 2024 financial year.

Principle One: **Purpose and leadership**

An effective board develops and promotes the purpose of a company, and ensures that its values, strategy and culture align with that purpose.

- The strategy and culture of the Company is underpinned by a clear vision of the Company's purpose and overall values which are articulated through the leadership of the Board. Given the importance of this, the Board seeks to promote the values, strategy and culture at different levels within the business. Culture remains an area of focus with the Board supporting a strong safety message and championing ethical leadership and accountability. The Board continues to encourage further development of robust processes and metrics for ethical matters to facilitate the early identification of any issues.

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Directors' report (continued)

Corporate Governance Code (continued)

Principle Two: **Board composition**

Effective board composition requires an effective chair and a balance of skills, background, experience and knowledge, with individual directors having sufficient capacity to make a valuable contribution. The size of the board should be guided by the scale and complexity of the company.

- The size and composition of the Board is appropriate and proportionate for the business of the Company. The directors have an appropriate combination of technical, financial and commercial skills collectively demonstrating a high-level understanding of the Company's business model and its impact on key stakeholders.
- All appointments to the Board are based on merit and objective criteria. Diversity remains an important consideration as we work to build a workforce that reflects the diversity of our customers and the communities we serve.
- The Board was established in 2017 as one of a number of governance changes made at Openreach to bolster its transparency and autonomy. The Board conducts an annual review of its operations and effectiveness, and monitors the resulting actions.

Principle Three: **Director Responsibilities**

The board and individual directors should have a clear understanding of their accountability and responsibilities. The board's policies and procedures should support effective decision-making and independent challenge.

- On joining the Board, new directors receive all of the information they need, are offered advice from the Company Secretary, and can request training tailored to their specific experience and knowledge, covering both their legal duties and the business of the Company.
- On an ongoing basis, directors update their skills, knowledge and familiarity with the Company in a range of different ways by meeting with senior management, visiting operations and by attending appropriate briefing sessions. This helps by continuing to contribute to their informed and sound decision-making.
- Directors have a responsibility to declare any conflict of interest at the beginning of each Board meeting. Should a conflict arise, it would be the responsibility of the chair in conjunction with the non-conflicted directors to agree whether the director may participate and/or vote on the specific item.
- The directors have equal voting rights for making decisions, and aim to reach decisions on a unanimous basis. Where unable to do so, decisions will be made on a majority basis. All directors have access to the advice and services of the Company Secretary and may, if they wish, take professional advice at the Company's expense.
- Comprehensive governance policies, with guidance notes on their practical application, are in place to ensure the appropriate level of decision-making in the Company and involvement of the Board. Formal internal processes ensure systems and controls are operating effectively, and that

Openreach Limited

Directors' report (continued)

Corporate Governance Code (continued)

the quality and integrity of information provided to the Board is reliable, enabling informed decisions to be made.

Principle Four: **Opportunity and risk**

A board should promote the long-term sustainable success of the company by identifying opportunities to create and preserve value, and establishing oversight for the identification and mitigation of risks.

- The Board conducts regular strategic reviews and engages widely with both internal and external stakeholders to inform its strategic decision-making.
- There is a quarterly Board-level review of the Company's risks, plus an annual Board discussion of risk and oversight of the Company's risk management policies and structure, with deep dives into specific risks as required. The Company's risk management follows the structure set by its parent company and Board members and executives provide regular formal presentations on risks to the parent company.

Principle Five: **Remuneration**

A board should promote executive remuneration structures aligned to the long-term sustainable success of a company, taking into account pay and conditions elsewhere in the company.

- The Company follows the pay and remuneration policy of its ultimate parent company, with Board-level review and input into the application of the policy for the Company.

Principle Six: **Stakeholder relationships and engagement**

Directors should foster effective stakeholder relationships aligned to the company's purpose. The board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions.

- The Board seeks to understand the views of its key stakeholders, and the impact of its behaviour and business on employees, customers, suppliers and society more broadly. The Board engages directly with stakeholders through regular meetings and roundtables, and through the Company's participation in industry-wide consultations as well as industry, sector and topic discussions.
- When appropriate, some stakeholder engagement takes place at a BT Group level and the Board monitors the outcome of such engagement. For more information on the group level engagement, see page 40 of BT Group plc's Annual Report and the Company's section 172(1) statement.

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Directors' report (continued)

Political and Charitable Expenditure

The Company made no political or charitable contributions in the year (2023: £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”, and all-employee calls hosted by the CEO. In addition, employees are surveyed quarterly on their views about the Company and the results of these surveys are followed up with employees, providing an opportunity for employees to share 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.

The Board was kept updated on employee engagement, culture and talent management throughout the organisation and how this shapes the Company's initiatives and programmes.

As part of BT Group, much of our employee engagement is aligned with activities and policies across the Group. Openreach has, for example, its own version of the Workplace social platform and collaboration tool, which was launched across BT in July 2019, and colleagues are also able to access the BT-wide My Campus learning resource. Following BT's decision this year to disband its Colleague Board - which included Openreach representatives - Openreach has appointed Natalie Ceeney as its designated non-executive director for workforce engagement to ensure the perspective of colleagues continues to be raised in Board discussions.

BT Group's colleague engagement is set out in pages 90-91 of BT Group plc's 2024 Annual Report.

Openreach Limited

Directors' report (continued)

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 British Telecommunications 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.

Disclosure of information to auditor

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.

Auditor

In accordance with Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

The directors' report on pages 7 to 12 was approved by the Board of Directors on 29 October 2024 and was signed on its behalf by



Jon Furmston

Company Secretary

By order of the Board

For and on behalf of Openreach Limited

6 Gracechurch Street
London EC3V 0AT

Openreach Limited

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 31st March 2024 which comprise the statement of profit or loss, the balance sheet, the 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 31st March 2024 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.

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.

Openreach Limited

Independent Auditor's Report to the members of Openreach Limited (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, management, and key personnel along with inspection of policy documentation as to the Company’s high-level policies and procedures to prevent and detect fraud, including the internal audit function, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Performing walkthroughs and obtaining understanding of key processes.
- Considering remuneration incentive schemes and performance targets.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, 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 the complexity of revenue transactions is low and there is little subjectivity involved in the measurement of financial information. The costs held in Openreach Limited are payroll related costs and all costs are recharged to BT plc resulting in Openreach Limited having a nil profit before and after taxation.

We did not identify any additional fraud risks.

We performed procedures including:

- Risk assessment procedures to help identify high-risk criteria for journal entry posting, and documenting whether journal entries made in the period met our risk criteria.

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 through

Independent Auditor's Report to the members of Openreach Limited (continued)

discussion with the directors (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified 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.

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 or the loss of Company's license to operate. We identified the following areas as those most likely to have such an effect: data protection laws, anti-bribery, employment law, and certain aspects of company legislation recognising the financial nature of the Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management 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.

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 13, 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

Openreach Limited

Independent Auditor's Report to the members of Openreach Limited (continued)

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.

A handwritten signature in black ink that reads "W. Meredith". The signature is written in a cursive style and is underlined with a single horizontal line.

William Meredith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

Canary Wharf

E14 5GL

29 October 2024

Openreach Limited

Profit and Loss account for the year ended 31 March 2024

	Note	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Turnover	4	1,953,236	1,980,056
Administration expenses	5	(1,953,236)	(1,980,056)
Result before taxation		-	-
Tax on result	9	-	-
Result for the financial year		-	-

All results derive from ordinary activity and continuing operations.

There has been no other comprehensive income during the financial periods ending 31 March 2024 or 31 March 2023 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 22 to 31 form part of the financial statements.

Openreach Limited

Balance sheet as at 31 March 2024

	Notes	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Current Assets			
Debtors	10	310,858	337,158
Total Assets		<u>310,858</u>	<u>337,158</u>
Creditors: amounts due within one year	11	(310,858)	(337,158)
Net Current Assets		<u>-</u>	<u>-</u>
Total Assets less current liabilities		<u>-</u>	<u>-</u>
Equity			
Called up share capital	12	-	-
Profit and Loss Account		-	-
		<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>

The notes on pages 22 to 31 form part of these financial statements.

These financial statements were approved by the Board of Directors on 29 October 2024 and were signed on its behalf by:

Matthew Davies



Director

Openreach Limited

Registered number: 10690039

Openreach Limited

Statement of changes in equity to 31 March 2024

	Called up share capital £000	Retained Earnings £000	Total Equity £000
Balance at 31 March 2022	-	-	-
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2023	-	-	-
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2024	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Openreach Limited

Notes to the Financial Statements

1. General information

The Company is a private company, limited by shares, incorporated and domiciled in the UK. The address of its registered office is 6 Gracechurch Street, London EC3V 0AT.

The principal activity of the Company is to set the Openreach strategy (within British Telecommunications plc's overall strategic framework), to oversee and manage the performance of the Openreach Customer Facing Unit ("CFU") (a division of British Telecommunications plc) on behalf of British Telecommunications plc within a framework agreed between the Company and British Telecommunications plc and employ the Openreach CFU employees. The Company shall not own any assets or perform any trading (past, current or future) that compromise 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 British Telecommunications plc.

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 accounting standards in conformity with the requirements of the 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 2024 were authorised for issue by the Board of Directors on 29 October 2024 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 statements 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 British Telecommunications plc which are available from 1 Braham Street, London, E1 8EE, United Kingdom.

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 Flow;

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; and
 - 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).

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

British Telecommunications 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 British Telecommunications plc and amended and restated on 28 May 2021, and as a consequence any increases in costs or liabilities that fall onto Openreach fall onto the parent company. 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, for a period of at least 12 months following the date of approval of these financial statements, and they therefore believe that preparing the financial statements on the going concern basis is appropriate based on the financial strength of the parent company as well as the agreement.

Turnover

In providing services the Company acts as both an agent, managing the trading of British Telecommunications’ Openreach CFU (a division of British Telecommunications plc) whilst utilising the net assets of British Telecommunications plc, and as a principal, providing the services to operate and manage British Telecommunications’ Openreach CFU by employing Openreach staff directly. Revenue is recognised when it is probable that the economic benefits associated with a

Openreach Limited

Notes to the Financial Statements (continued)

transaction will flow to the Company and the amount of revenue and associated costs can be measured reliably. In accordance with IFRS15 requirements gross revenue is only recorded in respect of activities where the Company is acting as a principal.

3. Accounting Policies (continued)

Pensions

The Company contributes to a defined contribution pension plan, a defined benefit pension plan (“Prudential Platinum sub-scheme”) and a hybrid pension plan (the BT Hybrid Scheme, “BTHS”).

On the grounds of materiality, the Prudential Platinum sub-scheme is accounted for as a defined contribution plan.

The BTHS combines elements of both defined benefit and defined contribution pension schemes and would typically require the Company to recognise a net obligation on the balance sheet. However, the terms of the Agency and Services Agreement between the Company and British Telecommunications plc, where British Telecommunications plc will provide for certain pension costs, allows the Company to recognise a reimbursement right that offsets any surplus or deficit in the BTHS. As such, the BTHS is accounted for as a defined contribution plan.

The profit and loss account charge represents the contributions payable for the year and the company’s share of costs for administering pension plans.

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. The directors do not consider there to be any significant judgements or key sources of estimation uncertainty in relation to the preparation of these financial statements.

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.

Openreach Limited

Notes to the Financial Statements (continued)

3. Accounting Policies (continued)

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.

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 British Telecommunications plc in line with the terms of the "Agency and Services Agreement" signed between the parties on 1 October 2018 and amended and restated on 28 May 2021.

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.

Openreach Limited

Notes to the Financial Statements (continued)

4. Turnover

All revenue derives from services provided to British Telecommunications 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.

Operating Segments. Openreach Limited has only one operating segment whose principal activity is telecommunications.

5. Administrative expense

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Staff Costs (see note 8)	1,923,994	1,947,094
Other administrative expenses	29,242	32,962
	<hr/>	<hr/>
Administrative expenses	1,953,236	1,980,056
	<hr/> <hr/>	<hr/> <hr/>

6. Directors' emoluments

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Directors' remuneration	2,639	2,057
Company contributions in respect of money purchase pension schemes	10	4
Amounts receivable under long term incentive schemes	1,935	127
	<hr/>	<hr/>
	4,584	2,188
	<hr/> <hr/>	<hr/> <hr/>
Amounts granted under long term incentive schemes	1,650	1,071
	<hr/> <hr/>	<hr/> <hr/>

Openreach Limited

Notes to the Financial Statements (continued)

6. Directors' emoluments (Continued)

The following emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2024.

S Lowth, 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 (2023: nil).

Detail of highest paid director

	Year ended 31 March 2024	Year ended 31 March 2023
Number of directors accruing benefit under defined contribution scheme	1	1
Included in note 6 are the following amounts paid to the highest paid director:	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Director's remuneration	1,465	1,108
Amounts receivable under long term incentive schemes	1,690	-
	<u>3,155</u>	<u>1,108</u>
Amounts granted under long term incentive schemes	<u>1,091</u>	<u>886</u>

7. Auditor's remuneration

Fees payable to the Company's auditor, KPMG LLP for the audit of the Company's annual accounts were £74,000 (2023: £59,194). No non-audit fees were paid to KPMG LLP by the Company in the year ended 31 March 2024 (2023: £nil).

Openreach Limited

Notes to the Financial Statements (continued)

8. Staff number and cost

The number of employees in the Company as at 31 March 2024 was 31,847 (2023: 35,603).

Employment costs of all employees included above amounted to:

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Wages and Salaries	1,522,986	1,522,315
Other long term benefits	9,555	10,233
Social Security Costs	153,751	164,953
Other pension costs	227,924	237,412
Share based payments	9,778	12,181
	<u>1,923,994</u>	<u>1,947,094</u>

These costs reflect the full time equivalent of full and part time employees.

9. Taxation

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Current tax:		
UK Corporation tax current period	-	-
Amounts over-provided in previous period	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
	<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 2024 £000	Year ended 31 March 2023 £000
Accounting profit before tax	-	-
Tax calculated at UK standard rate of corporation tax of 25% (2023: 19%)	-	-
Transfer pricing adjustment	24,415	18,811
Expenses not deductible for tax purposes	(1,724)	-
Losses surrendered for nil payment	(21,965)	(16,395)
Deferred tax not recognised	(726)	(2,416)
	<hr/>	<hr/>
	-	-
	<hr/> <hr/>	<hr/> <hr/>

Factors affecting current and future tax charges

The UK corporation tax rate increased from 19% to 25%, effective from 1 April 2023. 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. Accordingly, no current and deferred tax charges/credits and no current tax and deferred tax balances have been recognised by the Company.

10. Debtors

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Debtors due within one year		
Amounts owed by group undertakings	310,858	337,158
Debtors due after one year		
Amounts owed by group undertakings	-	-
	<hr/>	<hr/>
	310,858	337,158
	<hr/> <hr/>	<hr/> <hr/>

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

Openreach Limited

Notes to the Financial Statements (continued)

11. Creditors - amounts falling due within one year

	Year ended 31 March 2024 £000	Year ended 31 March 2023 £000
Trade and other payables	2,964	3,132
Amounts owed to group undertakings	151,970	192,178
Other taxation and social security	36,083	44,071
Other creditors	17,344	18,570
Accruals	102,497	79,207
	<u>310,858</u>	<u>337,158</u>

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

12. Share Capital

	Year ended 31 March 2024 £1	Year ended 31 March 2023 £1
Allotted, called up and fully paid, 1 ordinary share	<u>£1</u>	<u>£1</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

13. Ultimate parent company and parent company of larger group

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. 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 2024.

Copies of the financial statements of BT Group plc may be obtained from The Company Secretary, BT Group plc, 1 Braham Street, London, E1 8EE, United Kingdom.

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, 1 Braham Street, London, E1 8EE, United Kingdom.

Openreach Limited

Notes to the Financial Statements (continued)

14. Pension obligations

The Company contributes to a number of pension plans including the BT Retirement Savings Scheme (BTRSS) and the BT Hybrid Scheme (BTHS). The BTRSS is a defined contribution, contract-based agreement operated by Standard Life, with 30,227 members as is open to new members. The BTHS was established in 2019 and combines elements of both defined benefit and defined contribution pension plans. The plan is closed to new members, but current members continue to accrue benefits.

The terms of the Agency and Services Agreement between the Openreach Ltd and British Telecommunications plc, where British Telecommunications plc will provide for certain pension costs, allow the Openreach Ltd to recognise a reimbursement right which offsets any surplus or deficit in the defined benefit plans. As such, the defined benefit plans are accounted for as defined contribution plans by Openreach Ltd. At 31 March 2024, the defined benefit section of the BTHS has liabilities of £30m and a surplus of £5m.

The pension cost charge for the year across all plans, including the Company's share of cost relating to the administration of pension plans, amounted to £227,923,617 (2023: £237,411,696). The amount of outstanding contributions at the year-end amounted to £17,343,974 (2023: £18,570,179).