



Regulatory Financial Statements 2018

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BT Regulatory Financial Statements 2018

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Ofcom Statement on BT's Regulatory Financial Statements 2018

Introduction

BT's reporting obligations arise out of market reviews conducted by Ofcom which impose requirements relating to regulatory reporting through SMP Conditions and Directions.¹ Such requirements include publishing with the audited regulatory financial statements (RFS) any written statement made by Ofcom and provided to BT commenting on the data in: the notes to or the presentation of any or all of the RFS; the Methodology Review; the Reconciliation Report; and/or the Accounting Methodology Documents.

Ofcom believes that the statement below will be helpful to users of the RFS by drawing attention to several important aspects of BT's 2017/18 RFS.

Publication requirements

It is important that BT retains responsibility for its RFS and can respond to changes in circumstances when deciding how best to prepare them. Since June 2014, BT has been required to notify Ofcom and publish any changes that it intends to make to its allocation methodologies in advance in a report (the Change Control Notification). The Change Control Notification should include a description of each of the changes proposed by BT, the reason for making each of the changes and an estimate (based on the prior year RFS) of the impact of each of the changes. When in Ofcom's opinion, any proposed change does not comply with any SMP conditions or the Regulatory Accounting Principles, it can direct BT not to make that change.

BT is also required to publish an audited reconciliation report (the Reconciliation Report) within the RFS, setting out the reasons for and impact of the methodology changes it made and the effect of correcting any material errors identified in the year. The actual changes should be similar to those included in the Change Control Notification, subject to the outcome of discussions with Ofcom. In previous years the reconciliation report was published as a separate document with two annexes. As explained in the WLA Statement² we have removed the requirement to produce and publish most of the annexes as their production involved a disproportionate level of resource relative to the benefit they brought to Ofcom and other stakeholders. In addition, to reduce duplication of information, what remained of the reconciliation report has been incorporated into the main body of the RFS (see Appendix 4).

Changes to allocation methodologies and restatement of comparatives

In Appendix 4 of the 2017/18 RFS, BT explains that it has made changes to the methodologies in 2017/18 and BT also explains in Appendix 4 that it has restated the prior year comparatives (for 2016/17). We have not directed BT to withdraw any of its changes. However, we consider that at least one of the changes introduced by BT requires further review ahead of next year's RFS: the valuation of Openreach Fibre services, (see Section 4.1.4, paragraph VII of Appendix 4 of the RFS). While this change appears to represent an improvement to previous methodologies we have yet to decide if and how this change should be included in the future charge controls.

Next Steps

It is important that BT's regulatory reporting obligations remain relevant and appropriate. We have commenced a review of BT's Regulatory Financial Reporting Requirements to ensure that they continue to be fit for purpose in light of any relevant developments, including our increased focus on encouraging competition at the infrastructure level and the legal separation of Openreach from the rest of BT. We would encourage all our stakeholders to participate in these reviews as our decisions on these determine BT's future reporting obligations. We will also continue to review the methodologies used by BT as part of our review programme.

¹ Some obligations also arise from the Undertakings given by BT under the Enterprise Act 2002. On 10 March 2017, BT notified certain commitments to Ofcom under section 89C of the Communications Act 2003. The financial reporting obligations in these commitments are expected to replace those in the Undertakings in the future.

² Wholesale Local Access Market Review: Statement, Ofcom 2018, Paragraphs A8.325 to A8.330 https://www.ofcom.org.uk/__data/assets/pdf_file/0021/112476/wla-statement-annexes-1-9.pdf

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Section 1
Introduction to the Regulatory Financial Statements

Section 1 – Introduction to the Regulatory Financial Statements

1.1 Regulatory Financial Reporting Obligations

The form and content of the Regulatory Financial Statements (RFS) are based on the reporting obligations set by Ofcom. We refer to these obligations as the Final Statements (see Section 2.1.4 Final Statements set out by Ofcom).

Openreach

We are required by Section 5.31 of the Undertakings and Section 20.6 of the Commitments to disclose the financial results of Openreach separately and to reconcile the financial results to the Openreach segmental information shown in BT Group plc's Annual Report and Form 20-F. We have included this information in Section 6 of the Regulatory Financial Statements.

BT Customer Facing Units and Markets with Significant Market Power (SMP)

In the 2018 RFS, we are required to report on the following SMP markets (in the UK excluding the Hull area, modified where stated below):

Market Review (MR)	Wholesale Local Access (WLAMR)	Business Connectivity (BCMR)	Narrowband (NMR)	Wholesale Broadband Access (WBAMR)
openreach	WLA	CISBO Rest of UK	WFAEL	
		CISBO Combined Geographic	ISDN2	
			ISDN30	
Non-Openreach		Low Bandwidth TISBO	Call Origination	WBA Market A
			Call Termination	
			Technical Areas	

Reporting Financial Performance

We are required to report the Financial Performance of all SMP markets to which cost accounting and/or accounting separation obligations apply:

- At market review level encompassing individual SMP markets; and
- At an individual SMP market level.

Section 1 – Introduction to the Regulatory Financial Statements

BT SMP Markets

Wholesale Local Access Markets

Copper and fibre fixed lines connecting end-users to access nodes in BT exchanges. Communication providers (CPs) use these lines to provide telephone and broadband internet services (including superfast broadband) to residential and business consumers.

WLA (Wholesale Local Access)

Copper lines and fibre lines used by CPs to connect end-users to their voice or broadband nodes located in BT exchanges.

Wholesale Broadband Access Markets

Access and backhaul services that allow CPs to provide their end-user customers with broadband over fixed lines.

WBA (Market A) (Wholesale Broadband Access Market A)

Market A covers exchange areas where BT and no more than one other CP are currently, or forecast to be, present.

Narrowband Markets

Provision of products and services that underpin the delivery of fixed line telephone calls. Different wholesale charges are raised to CPs depending on how much of the call is carried on our network

WFAEL (Wholesale Fixed Analogue Exchange Lines)

Copper lines connected to a line card in a BT telephony switch. Used by CPs to provide end-users with voice services. Is a prerequisite for WLA SMPF services.

ISDN2 (Wholesale ISDN2 exchange line services)

Two 64 Kbps channels provided over a single copper line, connected to a line card in a BT telephony switch. Used by CPs to provide business customers with voice and data services.

ISDN30 (Wholesale business ISDN30 exchange line services)

Similar functionality to ISDN2 but provides up to 30 x 64 Kbps channels over a single circuit that can be provided over copper, fibre or radio.

Call Termination (Wholesale Fixed Geographic Call Termination)

The wholesale charges for calls to BT fixed lines. These charges are for carrying the call to a BT terminating line from the nearest point in the network at which other CPs could interconnect.

Call Origination (Wholesale call Origination on Fixed Narrowband Network)

The wholesale calls originating on our network between the originating fixed line to the first point in the network at which other CPs can interconnect.

Technical Areas (DLE Interconnect Circuits)

Provision of the physical infrastructure that allows a CP to interconnect with our network. This enables calls to travel between the two networks.

Business Connectivity Markets

Cover the provision of leased lines and dedicated circuits providing transmission capacity between fixed locations.

Low Bandwidth CISBO (Contemporary Interface Symmetric Broadband Origination) Rest of UK

This market is for services sold outside of the London Periphery, Central London, Hull and the CBDs of Birmingham, Bristol, Glasgow, Leeds and Manchester.

Low Bandwidth CISBO Combined Geographic

This market is for services sold in the London Periphery zone and CBDs of Bristol and Manchester.

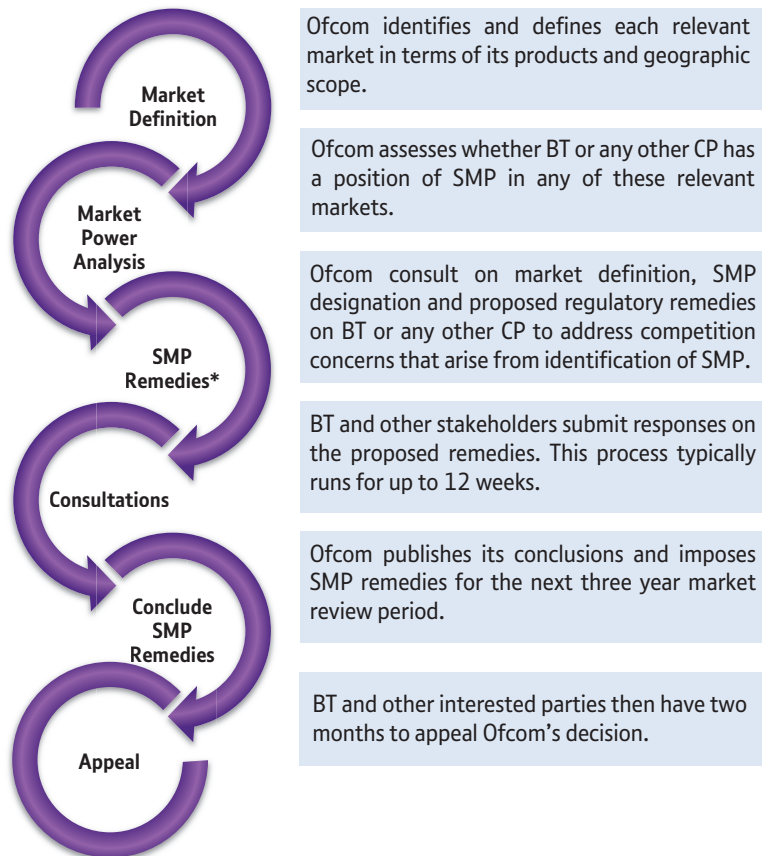
Low Bandwidth TISBO (Traditional Interface Symmetric Broadband Origination)

Low bandwidth leased lines (up to 8 Mbps) provided using legacy technology. End-users are gradually migrating to more modern technologies but currently still value certain characteristics of these traditional lines.

Section 1 – Introduction to the Regulatory Financial Statements

1.2 Regulatory Market Review Cycle

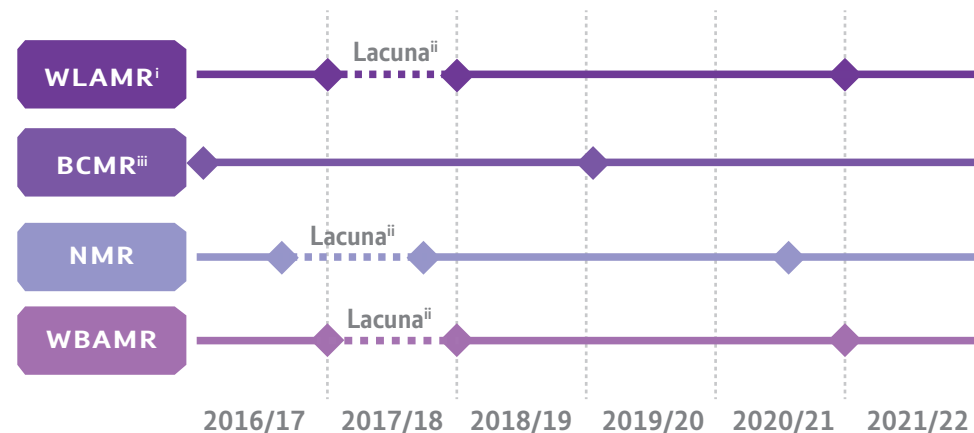
Ofcom reviews some communications markets periodically, in accordance with the EU Common Regulatory Framework, which is implemented in the UK by the Communications Act 2003 as amended. The process involves three analytical stages: Market Definition, Market Power Analysis and SMP Remedies. This is followed by consultations with stakeholders, after which Ofcom will conclude and potentially impose SMP remedies for the next three year period. Prior to the expiry of the remedies, the market review cycle will start again.



*Examples of SMP remedies are below:



Market Regulatory Period (BT's Financial Year)



◇ Regulatory Period Beginning/Ending

i Market name changed from FAMR to WLAMR in 2017/18 as WFAEL, ISDN2 and ISDN30 markets are included in the 2017/18 NMR.

ii Interim period between expired price controls and implementation of new price controls.

iii In November 2017 Ofcom published BCMR 2016 – Revocation of certain measures imposed in the business connectivity markets and Temporary SMP conditions in relation to business connectivity services.

Section 1 – Introduction to the Regulatory Financial Statements

1.3 Regulatory Market Changes

Wholesale Local Access Market

Key Regulatory Changes

The period from 1 April 2017 to 31 March 2018 was a Lacuna period and in the absence of any charge control, a voluntary agreement was reached with Ofcom to apply a CPI-CPI cap for WLA services and reduce prices for Metallic Path Facility (MPF) Rentals Service Maintenance Level (SML) 1.

Ofcom published the final statement of the WLA market review on 28 March 2018. This set out the Ofcom policy regarding WLA services and will cover the period 1 April 2018 to 31 March 2021.

Following the WLA market review in 2017, Ofcom made changes to the Local Loop Unbundling (LLU) and Virtual Unbundled Local Access (VULA) product regulation which took effect from 1 April 2018. MPF is still subject to a CPI-based charge control. SMPF had its charge control removed and was replaced with a fair and reasonable pricing obligation.

Ofcom has introduced a charge control for the Generic Ethernet Access (GEA) 40/10 lower speed product. The 55/10 and 80/20 products are subject to fair, reasonable and no undue discrimination obligations, so are not subject to a charge control. This means we still have some flexibility in how we price these products.

Along with charge controls, Ofcom has implemented new minimum service level obligations (MSL) and a cap on duct and pole access prices.

Key Market Changes

There has been an increase in demand for WLA driven by continued growth in fibre technology as a result of increased investment from BT and Broadband Delivery UK (BDUK).

Return on MCE has improved as customers migrate from traditional copper broadband technology to new superfast fibre-to-the-cabinet (FTTC) broadband, improving utilisation of the new assets.

Section 1 – Introduction to the Regulatory Financial Statements

Business Connectivity Markets

Key Regulatory Changes

The final statement of the BCMR was published on 28 April 2016. This set out new cost allocation methodologies, new charge controls and redefined the markets. The new cost allocations were introduced in 2015/16 and the charge controls commenced in 2016/17.

We disagreed with some aspects of this statement and appealed these to the Competition Appeal Tribunal (CAT). In July 2017 the CAT upheld our appeal on product market, geographic market and core network grounds. In November 2017 the CAT quashed Ofcom's decisions on these aspects and told it to reconsider.

On 23 November 2017, Ofcom published the following two statements revoking the relevant parts of the 2016 BCMR and imposing temporary conditions:

- Revocation of certain measures imposed in the business connectivity markets; and
- Temporary SMP conditions in relation to business connectivity services.

These documents set out revised markets for CISBO, moving all services greater than 1Gbps to Residual. The geographical split was also changed by moving Birmingham, Glasgow and Leeds from Rest of UK into Residual, and moving Manchester and Bristol from the Rest of UK to the same market as London Periphery, forming the Low Bandwidth CISBO Combined Geographic Market.

In its statement, Ofcom found BT to have SMP in the following markets:

- CISBO (Contemporary Interface) leased lines in the London Periphery area (this was later revised to Combined Geographic and to include Manchester and Bristol);
- CISBO leased lines in the Rest of UK which excludes Central London, London Periphery and Hull areas which was later revised to also exclude Birmingham, Bristol, Glasgow, Leeds and Manchester); and
- Low Bandwidth TISBO (in the UK excluding Hull). This market definition now includes Low Bandwidth services previously included in Regional Trunk and Technical Areas.

Charge controls were imposed in these markets, principally on the basket of Ethernet CI services up to and including 1Gbps. A starting charge adjustment of -12% and an annual price cap of CPI-13.5% was also imposed. Prices charged in the Ethernet markets were therefore reduced by circa 25% in 2016/17 and by circa 10% in 2017/18.

Under the new charge control, prices in the market have fallen significantly.

Key Market Changes

The CISBO markets saw a decrease in revenue, driven by price cuts made to comply with the charge controls. The decrease was partly offset by an increase in volumes.

Within the TISBO market there continues to be a fall in demand for traditional Time Division Multiplexing (TDM) circuits as customers migrate to CISBO services and other services such as broadband. Overall competition and customer demand for alternative technologies have resulted in falling volumes in this market.

The main charge controls in place for 2017/18 are as follows:

Charge control by Basket	Value
Low Bandwidth CISBO Rest of UK	CPI-13.5%
Low Bandwidth CISBO Combined Geographic	CPI-13.5%
Low Bandwidth TISBO	CPI-3.5%

Section 1 – Introduction to the Regulatory Financial Statements

Narrowband Markets

Key Regulatory Changes

The final statement of the NMR was published on 30 November 2017. It covered five fixed voice telephone wholesale markets and the related interconnect circuits technical area, concluding that we have SMP in the following markets:

- WFAEL;
- ISDN2;
- ISDN30;
- Call origination;
- Call termination; and
- Technical areas (DLE Interconnect Circuits).

Ofcom's consultation concluded that, following the end of the previous charge control on 31 March 2017, the WFAEL market should be subject to a fair and reasonable charging obligation rather than a cost-based charge control, from 1 April 2017. The prices charged in 2017/18 have remained unchanged from the prices charged in the final year of the charge control.

ISDN2 and ISDN30 market charge controls have remained on existing lines, based on current charges for 2017/18. Transition to deregulation for the provision and rental of new lines will occur from 2018/19.

The charge control on Call Origination has been removed, and replaced with a fair and reasonable obligation. There have been no changes in the prices charged for the remainder of 2017/18.

We will be charge controlled in the Call Termination market based on the long run incremental costs (LRIC). The current nominal average charge will reduce by around 6–7% for the next three years, or an average of about 4p per line per year.

The definition of the regulated Interconnect Circuits (IC) market has been updated. The market is now defined as only IC that connect at the Digital Local Exchange (DLE), whereas previously connections at the Tandem were also included. The charge control on IC remains in place.

Market	Before 1 Feb 2018	After 1 Feb 2018
Fixed Geographic Call Termination	0.0346 ppm	0.0323 ppm
Interconnect Circuits	0%	0%

Key Market Changes

The WFAEL market has matured. The most significant trend in the WFAEL market is the movement of CPs from premium to basic line rental services.

ISDN2 volumes declined as alternatives such as Session Initiation Protocol (SIP) Trunking, broadband and fibre based Next Generation Access (NGA) services provided opportunities for substitution. Broadband continues to supersede ISDN2 in the residential segment. Additionally, where internet access is the primary requirement, broadband is also replacing ISDN2 for business customers.

ISDN30 also continues to decline as customers migrated to more modern technology such as Ethernet. However, this market still has considerable rental volumes as ISDN30 provides smaller businesses a cheaper alternative to Ethernet products.

Calls markets continue to show reducing volumes, driven by the ongoing migration of call services from fixed narrowband networks to mobile networks and VoIP, reducing call origination and termination volumes.

As call origination and termination volumes reduce, there is a consequential reduction in the demand for interconnect circuits. Interconnect circuit volumes have also reduced due to CPs rationalising their existing interconnections with BT, directly interconnecting with other CPs, and moving to IP solutions which do not require traditional interconnect circuits.

Section 1 – Introduction to the Regulatory Financial Statements

Wholesale Broadband Access Markets

Key Regulatory Changes

The existing charge controls on the Wholesale Broadband Access market lapsed at the end of March 2017. BT voluntarily committed to maintaining IPstream at a CPI-CPI price cap until April 2018. All other WBA services in Market A are subject to a fair and reasonable requirement on terms, conditions and charges.

The WBAMR consultation document was published on 22 June 2017. The final conclusions were published in July 2018 and will be effective for the 3 years from 1 April 2018.

We received a draft WBA Market Review Statement from Ofcom in mid-June, to take effect for the three years from 1 April 2018. Following market analysis, WBA now applies to just 0.9% of the UK. It also proposed that all WBA (Market A) services should be subject to a fair and reasonable requirement on terms, conditions and charges.

Key Market Changes

The composition of WBA customers in regulated areas has changed since the 2014 market review as CPs withdraw from BT's IPstream products. There has, however, been growth in fibre broadband. These products have remained competitive in the marketplace due to the increased roll-out of infrastructure, which has allowed us to offer higher speeds on our WBA fibre products.

Sales of Wholesale Broadband Connect (WBC) fibre and copper products are growing, while IPstream service volumes are declining, as end users are moving away from the legacy broadband network (20CN) to the 21CN platform. Overall, the WBC revenue growth outweighs the IPstream revenue decline, due to an increase in bandwidth consumption per end user.

Section 2 Basis of Preparation

Section 2 – Basis of Preparation

2.1 Basis of Preparation

2.1.1 Regulatory Accounting Framework

The ultimate holding company of British Telecommunications plc ('the Company') is BT Group plc. The terms 'the Group', 'the Company', 'BT', 'we', 'us' or 'our' refer collectively to BT Group plc and its subsidiary undertakings. The group financial statements consolidate the financial statements of BT Group plc and its subsidiaries, and include its share of the results of associates and joint ventures using the equity method of accounting.

BT Group plc's Annual Report and Form 20-F details the basis of preparation and explains the accounting policies adopted by the Group. BT's Annual Report and Form 20-F, on which the independent external auditors issued an unqualified report, did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006 and has been delivered to the Registrar of Companies.

The Company has, by agreement with BT Group plc, prepared the RFS in accordance with the Regulatory Accounting Principles (RAP) (as described in Section 2.1.2 below) and Accounting Methodology Document (AMD) (as described in Section 2.1.3 below), by disaggregating balances recorded in the general ledgers and other accounting records of the Group.

The RAP and AMD set out the framework under which the RFS are prepared.

2.1.2 Regulatory Accounting Principles

The RAP are the principles we apply or use in the preparation of the RFS. For example we must attribute revenues, costs, assets and liabilities in accordance with the activities which cause the revenues to be earned, or costs to be incurred, or assets to be acquired, or liabilities to be incurred respectively.

Ofcom set out its conclusions in the Regulatory Financial Reporting Final Statement it issued on 20 May 2014 that, in preparing the RFS, BT shall comply with the RAP, including the requirement for consistency with regulatory decisions.

This requirement is reiterated in the RAP amended by Ofcom's SMP conditions imposed following market reviews, most recently, SMP condition 12.8(i) set out in Annex 33 of the 2018 WLA Statement.

2.1.3 Documentation and Application of the Regulatory Accounting Framework

In adhering to the RAP, we prepare and annually update our methodology documentation, the AMD. This document covers:

- **Attribution Methods** - we explain how we attribute revenue, transfer charges, costs, assets and liabilities to activities.
- **Transfer Charge System Methodology** - we explain our approach to transfer charges within our regulatory costing system (REFINE).

- **No Undue Discrimination** - we demonstrate an equivalent treatment for internal and external CPs. For each reported market, we disclose the average price of services sold to external CPs and the average price sold to internal CPs. Where a reported market is required to buy input services from an upstream reported market, the cost is shown as an Equivalence of Input (EOI) charge.
- **Accounting Policies** - the way we apply the requirements of the Companies Act 2006, Article 4 of the International Accounting Standards (IAS) Regulation, and our accounting policies, in line with the RAP. The AMD details the accounting policies adopted in preparing the underlying financial information.
- **Long Run Incremental Cost (LRIC) Methodology** - the long run incremental cost principles, procedures and processes form the framework we use to calculate long run incremental costs and standalone costs.
- **Current Cost Accounting (CCA)** - we prepare the RFS under the Financial Capital Maintenance (FCM) convention in accordance with the principles set out in the handbook "Accounting for the Effects of Changing Prices", published in 1986 by the Accounting Standards Committee. Under the FCM convention, we include changes in asset values in the RFS income statement as unrealised holding gains or losses. The CCA section also includes the Regulatory Asset Valuation (RAV) where Ofcom has directed an alternative methodology for valuing parts of the local access network.
- **Usage Factors** - we use usage factors in our costing methodology to reflect the different usage of network components by services.

In addition to the AMD, we also publish a Wholesale Catalogue, which separately identifies and describes services which are internally, externally, or both internally and externally supplied, and those which are used in the course of supplying other wholesale services.

The product and geographic markets defined by Ofcom's Final Statements do not correspond to how the Group is organised for management and accounting purposes. The RFS are therefore produced by overlaying the requirements of the regulatory reporting framework on the management and accounting structure of the Group.

We reconcile the RFS to BT's statutory accounts (in Section 12 of this report) and we explain any differences.

For the purposes of the RFS, we calculate Fully Allocated Cost (FAC) for our network components including a Return on Mean Capital Employed (MCE) attributed to that component.

Due to the complex nature of the RFS, figures in this report are individually rounded to the nearest relevant unit (e.g. £m or £0.1m). For values of less than £50,000 these round to a 0, and where there is no value this is shown as "-". Totals and sub-totals are calculated based on these rounded

Section 2 – Basis of Preparation

figures and percentages are based on unrounded figures. Where required by the Final Statements, rounding differences are shown on each individual schedule. Where rounding differences are not shown minor summation inconsistencies may arise between schedules.

2.1.4 Final Statements set out by Ofcom:

Below are the Final Statements setting out the legal directions relevant to the RFS for the year ended 31 March 2018:

- Wholesale Local Access Market Review Statement 28 March 2018;
- Narrowband Market Review Statement 30 November 2017;
- Business Connectivity Market Review 2016 Revocation of certain measures imposed in the business connectivity markets 23 November 2017;
- Business Connectivity Markets Temporary SMP conditions in relation to business connectivity services 23 November 2017;
- Business Connectivity Market Review Statement 28 April 2016;
- Directions for Regulatory Financial Reporting Statement 30 March 2015;
- Review of the Wholesale Broadband Access Markets Statement 26 June 2014;
- Regulatory Financial Reporting Statement 20 May 2014.

2.1.5 Changes to BT's Financial Reporting Obligations

Ofcom's Business Connectivity Market Review (BCMR) Revocation Notification and BCMR Temporary SMP Conditions issued on 23 November 2017 (together referred to as BCMR 2017) has had an impact on the market definitions for Contemporary Interface Symmetric Broadband Origination (CISBO).

Ofcom's Narrowband Market Review issued on 30 November 2017 (NMR 2017) directed change to the Technical Areas (Interconnect Circuits), Fixed Call Origination and Fixed Geographic Call Termination markets in the RFS.

Ofcom's Wholesale Local Access Market Review (WLAMR) issued on 28 March 2018 will change the way we report the WLA market from 2018/19.

Implementation of the BCMR 2017 – See Change Control Notification 2018 (the “CCN 2018”) reference 3.01

- The definition of the CISBO Rest of UK and London Periphery markets have been changed to reflect Ofcom's new geographic area definitions. This has resulted in a change to the two CISBO markets reported to “Low Bandwidth CISBO Rest of UK” and “Low Bandwidth CISBO Combined Geographic”.

- “Lower Bandwidth CISBO Services in the Rest of UK” means Lower Bandwidth CISBO services provided in the UK excluding the Hull area, London Periphery, the Central London Area and the Central Business Districts (CBDs) of Bristol, Birmingham, Glasgow, Leeds and Manchester; and “Combined Geographic Business Connectivity Markets” means the Wholesale Markets for Lower Bandwidth CISBO Services in the London Periphery and the CBDs of Bristol and Manchester.
- SMP conditions will only apply to products with speeds up to 1Gbps. Higher products are not regulated and so are not subject to accounting separation or cost accounting obligations, and are included in residual.

Ofcom directed the introduction of a single Service Level Guarantee (SLG) Component to be reflected in each of the SMP Markets.

Implementation of the NMR 2017 – See CCN 2018 reference 3.02-3.03

- There are movements from and to the Other WLR published service in the WFAEL market:
 - ISDN2 and ISDN30 Network Features are reported under new published services, ISDN2 Other and ISDN30 Other;
 - ISDN30 Direct Dialling – Rentals are reported under the new published service, ISDN30 Direct Dialling – Rentals; and
 - WLR Simultaneously Provided Connections and WLR Simultaneously Provided Conversions are reported under the existing service, Other WLR.
- ISDN30 Enhanced care has been renamed ISDN30 SML 3 and 4.
- ISDN30 Connections are reported as ISDN30 Line Connections and ISDN30 Channel Connections rather than the single published service.
- Technical Areas (Interconnect Circuits) market reports only Interconnect Circuits that connect at the DLE, those which do not are reported in Wholesale Residual.
- Fixed Call Origination market is no longer reported at a service level detail.
- Fixed Geographic Call Termination is reported on single service for Fixed Geographic Call Termination rather than separate local exchanges segment and stick services.

Ofcom directed that the “*market calculation of FAC based on component costs and usage factor*” schedules, included in sections 7 to 10 of the RFS, report unit FAC rather than absolute FAC.

The impact of the market restructures are shown in Appendix 4.1.3.

Section 2 – Basis of Preparation

2.1.6 Comparability of current and prior year results

The 2017/18 results are prepared in accordance with the AMD issued on 31 July 2018. The restated comparatives for the year ended 31 March 2017 reflect methodology changes listed in the CCN 2018 as summarised in section 4.1.4 of Appendix 4, and all known errors above Ofcom's defined materiality threshold as described in section 4.1.5 of Appendix 4. The impact of these changes is shown in Appendix 4.1.3 on pages 110-112.

The impact of methodology changes applied this year on the results for 2017/18 is shown in Appendix 4.1.4 on pages 113-130.

The impact of the correction of errors identified above Ofcom's defined materiality threshold on results for 2016/17 originally published on 31 July 2017 are shown in Appendix 4.1.5 on pages 131-143.

2.1.7 Adoption of the Undertakings

In July 2017, Ofcom confirmed it would release us from the Undertakings once the arrangements for our voluntary commitments were all in place. This included the employees working for Openreach being transferred to Openreach Limited and adopting the new model of functional separation for Openreach to secure greater strategic and operational independence.

Openreach Limited has been legally incorporated and the members of the Openreach Board were appointed as Directors of Openreach Limited in December 2017. The Openreach senior leadership team voluntarily transferred to Openreach Limited in January 2018. On 9 April 2018, BT formally adopted all the elements of the Commitments and Governance Protocol that can be adopted without triggering the TUPE transfer. We continue to work towards the TUPE of all employees working for Openreach to Openreach Limited as soon as practicable.

For the period to 31 March 2018, BT adhered to the Undertakings. Since 9 April 2018, BT has adopted similar conditions which exist in the Commitments (such as the requirement to separately present the financial results of Openreach) and these changes will continue from this date.

2.1.8 Pension restatement

The reported IAS 19 pension deficit at 31 March 2018 included in the Annual Report and Form 20-F is understated due to an error made by our independent external actuary. The correction of this error would have no effect on the reported income, return or MCE within these RFS.

Following completion of further review procedures on the independent external actuary's calculation, we intend to restate the comparative information as at and for the year ended 31 March 2018 in our next published financial report at Q2, and subsequently in our annual accounts for the year ending 31 March 2019.

As a result, the comparative information presented in the RFS for the year ending 31 March 2019 will include reconciliation statements to these restated figures. Further information can be found in our Q1 2018/19 trading statement.

Section 3 Statement of Responsibility

Section 3 – Statement of Responsibility

3.1 Statement of Responsibility

British Telecommunications plc (the “Company”) is required to prepare the RFS in accordance with the Final Statements as described in Section 2.1.4 ‘Final Statements set out by Ofcom’.

The RFS include comparative information for the year ended 31 March 2017 originally published on 31 July 2017 (the “2017 RFS”). The 2017 RFS were subsequently subject to certain restatements and re-presentations detailed in section 2.1.6. The Reconciliation Report (Appendix 4) provides additional detail on the impact of these methodology changes and errors identified subsequent to publishing the 2017 RFS.

The directors confirm to the best of their knowledge that the RFS for the year ended 31 March 2018 have been prepared in accordance with the requirements of the Final Statements, the Accounting Methodology Document (“AMD”) and Wholesale Catalogue issued on 31 July 2018 and in accordance with the RAP.

The directors confirm to the best of their knowledge that the comparative information for the year ended 31 March 2017 included in the RFS have been prepared in accordance with the requirements of the Final Statements and the AMD issued on 31 July 2017 subject to certain restatements and representations as detailed in Appendix 4.1.1 and 4.1.3.

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

Openreach

The Company is also required in accordance with the Undertakings to separately report the financial results of Openreach within the RFS as explained in Section 1.1. The Undertakings are attached in Annex A of Part 2 of Ofcom’s “Final Statements on the Strategic Review of Telecommunications, and undertakings in lieu of a reference under the Enterprise Act 2002”, issued on 22 September 2005.

The Undertakings require the Company to report the financial results of Openreach, including the following:

- Openreach financial information such as headline revenue, cost of sales (or gross margin), selling, general and administrative expenses (SG&A), earnings before interest, tax, depreciation and amortisation (EBITDA), depreciation, operating profit and capital expenditure, revenues broken down into the broad product groups that Openreach

provide and further split between internal and external revenues, separately identifying payments to other parts of the Company for products that form inputs to Openreach products (e.g. electronics); and

- Reconciliation of Openreach’s revenue and operating profit (and other such items as agreed between the Company and Ofcom) with financial information about Openreach shown in BT’s statutory accounts.

The Openreach Financial Statements can be found in Section 6 and include comparative information for the year ended 31 March 2017. These comparatives were subject to certain restatements and representations detailed in Appendix 4.1.1 and 4.1.3.

The form, content and basis of preparation of the financial results of Openreach follow those used in the preparation of the RFS as described above, except where differences are agreed with Ofcom.

The directors confirm to the best of their knowledge that the Openreach Financial Statements for the year ended 31 March 2018, have been prepared in accordance with the AMD and Wholesale Catalogue issued on 31 July 2018 and comply with the requirements of the Undertakings issued on 22 September 2005.

The directors confirm to the best of their knowledge that the comparative information for the Openreach Financial Statements for the year ended 31 March 2017 included in the RFS have been prepared in accordance with the requirements of the Final Statements and the AMD issued on 31 July 2017, subject to certain restatements and representations as detailed in Appendix 4.1.1 and 4.1.3 and comply with the requirements of the Undertakings issued on 22 September 2005.

Approved by the Board of Directors and signed on its behalf by:

Simon Lowth

Director, British Telecommunications plc

31 July 2018

Section 4 Audit Report

Section 4 – Audit Report

4.1 Report of Independent Auditors

Independent auditors' report to the directors of British Telecommunications plc and Ofcom issued in accordance with the Final Statements as set out below

Opinions

We have audited the information in respect of economic markets (the “Market Financial Statements”), Openreach (the “Openreach Information”) and the impact of methodology changes and errors (the “Reconciliation Report”), together referred to as the 2018 Financial Statements, contained within the Regulatory Financial Statements 2018.

The Market Financial Statements comprise the following statements for the year ended 31 March 2018 for the Markets listed on page 4:

- a) the Performance Summary by Market on pages 21 to 23; and
- b) the related notes comprising the Basis of Preparation on pages 10 to 13, the individual market summaries and individual market calculations of Fully Allocated Cost based on component costs and usage factors on pages 31 to 85, the Statements of Attribution of Wholesale Current Costs and Mean Capital Employed on pages 88, 89, 91 and 92, the Reconciliation Statements on pages 93 to 95; and Appendix 1 on pages 96 to 100.

The Market Financial Statements include the statements of financial performance for each of the following market groups (the “Market Group Statements”) for the year ended 31 March 2018 shown within the Performance Summary by Market on page 22:

- Wholesale Local Access;
- Business Connectivity Markets;
- Narrowband Markets; and
- Wholesale Broadband Access (Market A).

The Market Financial Statements also include the statements of financial performance for each market for the year ended 31 March 2018 shown within the Performance Summary by Market on page 22, including those listed below which are audited (the “PPIA Markets”):

- Wholesale local access services (“WLA”);
- Low Bandwidth Contemporary Interface Symmetric Broadband Origination – Rest of UK (“Low Bandwidth CISBO Rest of UK”);
- Low Bandwidth Traditional Interface Symmetric Broadband Origination (“Low Bandwidth TISBO”);

- Wholesale fixed analogue exchange line services (“WFAEL”);
- Wholesale ISDN30 exchange line services (“ISDN30”);
- Fixed Call Origination;
- Fixed Geographic Call Termination; and
- Wholesale Broadband Access (Market A) (“WBA – Market A”).

For the avoidance of doubt, we do not express individual audit opinions in respect of the statements of financial performance for Low Bandwidth CISBO Combined Geographic, Wholesale ISDN 2 Exchange Line Services (“ISDN 2”) or Technical areas (DLE Interconnect Circuits) for the year ended 31 March 2018 shown within the Performance Summary by Market on page 22.

The Openreach Information comprises the following information for the year ended 31 March 2018 on pages 26 to 30:

- the Openreach Income Statement;
- the Openreach MCE Statement; and
- the Reconciliation of Openreach Income Statements.

The Market Financial Statements and the Openreach Information for the year ended 31 March 2018 are prepared by British Telecommunications plc (the “Company”) to comply with the Final Statements, and in accordance with the Company’s Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2018 and in respect of the Openreach information in accordance with the Undertakings agreed between the Company and Ofcom dated 22 September 2005 (the “Undertakings”).

The 2018 Financial Statements include comparative information for the year ended 31 March 2017 first published on 31 July 2017 which has been restated and re-presented by the Company to comply with the Final Statements, and in accordance with the Company’s Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2017 as amended, where applicable, in accordance with “Comparability of current and prior year results” on page 13. This comparative information includes the restated Performance Summary by Market on page 23 (the “Restated Market Financial Statements”).

The Reconciliation Report comprises the 2018 Performance Summary by market showing results with methodologies reversed on page 122 (the “2018 Methodology Change Schedule”) and the 2017 Performance Summary by market showing material errors corrected on page 135 (the “2017 Error Correction Schedule”) and the related notes on pages 113 to 121 and 131 to 134.

Section 4 – Audit Report

In our opinion:

- a) the Market Financial Statements as a whole, each of the Market Group Statements and the Market Summary Statements for each of the PPIA Markets for the year ended 31 March 2018 have been properly prepared in all material respects in accordance with the procedures defined in the Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2018 and comply with the disclosure requirements of the Final Statements;
- b) the Openreach Information for the year ended 31 March 2018 has been properly prepared in all material respects in accordance with the procedures defined in the Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2018 and complies with the disclosure requirements of the Undertakings and the Final Statements;
- c) the Restated Market Financial Statements as a whole have been properly prepared in all material respects in accordance with the procedures defined in the Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2017 as amended, where applicable, in accordance with “Comparability of current and prior year results” on page 13 and comply with the disclosure requirements of the Final Statements.
- d) the 2018 Methodology Change Schedule as a whole has been properly prepared in accordance with the Accounting Methodology Document and the Wholesale Catalogue dated 31 July 2018 and the methodology changes described in section 4.1.4 of Appendix 4 to the Regulatory Financial Statements on pages 113 to 115 (the “2018 Basis of Preparation”) and complies with the disclosure requirements of the Final Statements; and
- e) the 2017 Error Correction schedule as a whole has been properly prepared in accordance with the Accounting Methodology Document and the Wholesale Catalogue dated 31 July 2017 including correction of the identified errors described in Section 4.1.5 of Appendix 4 to the Regulatory Financial Statements on page 131 (the “2017 Basis of Preparation”).

In the course of conducting our examination, we noted no material changes in costing methodologies used in the preparation of the 2018 Financial Statements compared with the costing methodologies applied in the preparation of the Regulatory Financial Statements for the year ended 31 March 2017 published on 31 July 2017 (the “2017 Financial Statements”) which were not included in the description of methodology changes identified by the Company in the Change Control Notification published on 31 March 2018 (the “Change Control Notification”). Further, having read each of the papers approved by the Company’s Accounting Separation Improvement Group (“ASIG”) in the period 1 August 2017 to 31 July 2018 we noted no methodology changes expected by management to have a material impact on the

2018 Financial Statements which were approved by the ASIG for use in the preparation of the 2018 Financial Statements but not included in the description of methodology changes published by the Company in the Change Control Notification.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”), including ISA (UK) 800, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors’ responsibilities for the audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

PricewaterhouseCoopers LLP audited the Statutory Financial Statements of BT Group plc (the “Statutory Financial Statements”), which includes British Telecommunications plc, for the years ended 31 March 2018 and 31 March 2017 on which they expressed unmodified audit opinions. Their audit reports on the Statutory Financial Statements describe the scope of their audits of those Statutory Financial Statements. In conducting our subsequent audit of the 2018 Financial Statements, and in providing the opinions above, we have not performed any additional tests of the transactions and balances which are recorded in the general ledgers and other accounting records beyond those already performed for the purpose of the audits of the Statutory Financial Statements.

Independence

We remained independent of BT Group plc and its subsidiaries (“the Group”) in accordance with the ethical requirements that are relevant to our audit of the 2018 Financial Statements in the UK, which includes the FRC’s Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter – Basis of preparation

In forming our opinions on the 2018 Financial Statements, which are not modified, we draw attention to the Responsibilities of the directors for the financial statements section of this report below which describes the basis of preparation, and in particular, the fact that the accounting policies used and disclosures made are not intended to, and do not, comply with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union. The 2018 Financial Statements are prepared in accordance with a special purpose framework for the directors and Ofcom for the specific purpose as described in the Use of this report paragraph below. As a result, the 2018 Financial Statements may not be suitable for another purpose.

In addition, we draw attention to the fact that these 2018 Financial Statements have not been prepared under section 394 of the Companies Act 2006 and are not the statutory financial statements of the Company or BT Group plc.

Section 4 – Audit Report

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the 2018 Financial Statements is not appropriate; or
- the directors have not disclosed in the 2018 Financial Statements any identified material uncertainties that may cast significant doubt about the Group's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 9 May 2018, the date when the Statutory Financial Statements for the year ended 31 March 2018 were authorised for issue.

Because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Regulatory Financial Statements 2018 other than the 2018 Financial Statements and our auditors' report thereon.

The directors are responsible for the other information. Our opinion on the 2018 Financial Statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

In connection with our audit of the 2018 Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 2018 Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the 2018 Financial Statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Statement of Responsibility set out on page 15, the directors are responsible for the preparation of the Market Financial Statements under the current cost convention in accordance with:

- a) the Final Statement entitled "Regulatory Financial Reporting" issued by Ofcom on 20 May 2014, "Review of the Wholesale Broadband Access Markets Statement" issued by Ofcom on 26 June 2014, "Directions for Regulatory Financial Reporting" issued by Ofcom on 30 March 2015, "Business Connectivity Market Review

Statement" issued by Ofcom on 28 April 2016, "Business Connectivity Markets Temporary SMP conditions in relation to business connectivity services" issued by Ofcom on 23 November 2017, "Narrowband Market Review Statement" issued by Ofcom on 30 November 2017 and "Wholesale Local Access Market Review Statement" issued by Ofcom on 28 March 2018 (together the "Final Statements"); and

- b) the Company's Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2018.

The directors are also responsible for the preparation of the Openreach Information under the current cost convention in accordance with:

- a) the Undertakings;
- b) the Final Statements; and
- c) the Company's Accounting Methodology Documents and the Wholesale Catalogue dated 31 July 2018.

The directors are also responsible for the preparation of the Reconciliation Report under the current cost convention in accordance with:

- a) the Final Statements;
- b) in respect of information for the year ended 31 March 2018, the 2018 Basis of Preparation; and
- c) in respect of information for the year ended 31 March 2017, the 2017 Basis of Preparation.

As explained in the "Basis of Preparation" on pages 10 to 13 the Company has, by agreement with BT Group plc, its ultimate parent company, prepared the 2018 Financial Statements by disaggregating balances recorded in the general ledgers and other accounting records of the Group maintained in accordance with the Companies Act 2006 and used, in accordance with that Act, for the preparation of the Statutory Financial Statements for the years ended 31 March 2018 and 31 March 2017.

The Directors are also responsible for determining that the basis of preparation is acceptable in the circumstances and also for such internal control as they determine is necessary to enable the preparation of 2018 Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the 2018 Financial Statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. In this

Section 4 – Audit Report

regard the directors' assessment was made for the purposes of the preparation of the Statutory Financial Statements approved on 9 May 2018 and, therefore, covers a period of at least, but not limited to, twelve month period from that date.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether:

- a) the Market Financial Statements as a whole, each of the Market Group Statements, the statements of financial performance for each of the PPIA Markets and the Openreach Information are properly prepared in all material respects in accordance with the procedures defined in the Accounting Methodology Documents and Wholesale Catalogue dated 31 July 2018 and comply with the disclosure requirements of the Final Statements and in respect of the Openreach Information, the Undertakings.
- b) the restated Market Financial Statements as a whole for the year ended 31 March 2017 are properly prepared in all material respects in accordance with the procedures defined in the Accounting Methodology Documents and Wholesale Catalogue dated 31 July 2017 subject to the changes described in "Comparability of current and prior year results" on page 13, and comply with the disclosure requirements of the Final Statements.
- c) the 2018 Methodology Change Schedule as a whole is properly prepared in accordance with the 2018 Basis of Preparation and complies with the disclosure requirements of the Final Statements; and
- d) the 2017 Error Correction schedule as a whole is properly prepared in accordance with the 2017 Basis of Preparation and complies with the disclosure requirements of the Final Statements.

Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these 2018 Financial Statements. In this regard, we have used a quantitative materiality threshold of 5% of the total revenues or costs of each PPIA Market and Market Group for the purposes of planning and performing our audit.

We also report our opinion as to whether, in the course of conducting our audit, we have become aware of any material changes in costing methodologies used in the preparation of the 2018 Financial Statements compared with the costing methodologies applied in the preparation of the 2017 Financial Statements which were not included in the description of methodology changes published by the Company in the Change Control Notification. Further we read each of the papers approved by the Company's Accounting Separation Improvement Group ("ASIG") in the period 1 August 2017 to 31 July 2018 and report any methodology changes expected by management to have a material impact on the 2018 Financial Statements which were approved by the ASIG for use in the preparation of the 2018 Financial Statements for the year ended 31 March 2018 but not included in the description of methodology changes published by the Company in the Change Control Notification.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the directors and for Ofcom for the purposes of meeting the Company's obligations under the Final Statements in accordance with our engagement letter with the Company dated 31 October 2017 and our engagement letter with Ofcom dated 11 July 2018 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the Company, save where expressly agreed by our prior consent in writing.

The engagement partner on the audit resulting in this independent auditors' report is Simon Morley.

PricewaterhouseCoopers LLP
Chartered Accountants
London
31 July 2018

Section 5 Summary of Market Performance

Section 5 – Summary of Market Performance

5.1 Performance Summary by Market

For the year ended 31 March 2018

	Section	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adj. £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
WLA	7.1	935	1,433	2,368	949	553	(119)	84	(6)	1	1,462	906	5,637	16.1%
Business Connectivity Markets														
Low Bandwidth CISBO Rest of UK	8.1	344	234	578	224	188	(53)	37	(3)	(1)	392	186	1,869	10.0%
Low Bandwidth CISBO Combined Geographic	8.2	17	14	31	11	8	(1)	1	0	(1)	18	13	63	20.4%
Low Bandwidth TISBO	8.3	86	71	157	85	45	(6)	5	0	(1)	128	29	280	10.4%
Total		447	319	766	320	241	(60)	43	(3)	(3)	538	228	2,212	10.3%
Narrowband Markets														
WFAEL	9.1	1,274	370	1,644	641	402	(157)	109	3	–	998	646	4,638	13.9%
ISDN2	9.2	33	55	88	27	13	(4)	3	2	(1)	40	48	134	36.0%
ISDN30	9.3	77	88	165	50	24	(5)	3	1	(1)	72	93	207	45.0%
Fixed Call Origination		107	36	143	73	20	(3)	1	7	1	99	44	152	29.3%
Fixed Geographic Call Termination	9.4	4	7	11	61	18	(3)	1	6	2	85	(74)	132	(55.6)%
Technical Areas (DLE Interconnect Circuits)	9.5	–	6	6	5	1	0	0	0	–	6	–	7	4.6%
Total		1,495	562	2,057	857	478	(172)	117	19	1	1,300	757	5,270	14.4%
WBA (Market A)	10.1	402	23	425	126	53	(7)	0	4	(1)	175	250	370	67.5%
Total SMP Markets		3,279	2,337	5,616	2,252	1,325	(358)	244	14	(2)	3,475	2,141	13,489	15.9%
Wholesale Residual		2,171	436	2,607	1,870	432	(13)	(18)	60	–	2,331	276	1,258	22.0%
EOI Eliminations		(1,079)	–	(1,079)	(1,079)	–	–	–	–	–	(1,079)	–	–	–
Roundings		1	–	1	(1)	(1)	(1)	–	(1)	3	(1)	2	(1)	–
Total Wholesale Markets		4,372	2,773	7,145	3,042	1,756	(372)	226	73	1	4,726	2,419	14,746	16.4%
Retail Residual		–	20,950	20,950	18,189	1,758	–	–	–	(1)	19,946	1,004	17,368	5.8%
Eliminations		(4,372)	–	(4,372)	(4,372)	–	–	–	–	–	(4,372)	–	–	–
Roundings		–	–	–	–	–	–	–	–	–	–	–	–	–
Total Markets		–	23,723	23,723	16,859	3,514	(372)	226	73	–	20,300	3,423	32,114	10.7%

Section 5 – Summary of Market Performance

5.2 Performance Summary by Market

Restated for the year ended 31 March 2017 (b)

	Section	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adj. £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
WLA	7.1	863	1,338	2,201	924	528	(101)	76	(5)	1	1,423	778	5,130	15.2%
Business Connectivity Markets														
Low Bandwidth CISBO Rest of UK	8.1	368	238	606	191	199	(46)	36	(3)	–	377	229	1,771	13.0%
Low Bandwidth CISBO Combined Geographic	8.2	18	14	32	10	8	(1)	1	0	–	18	14	60	24.2%
Low Bandwidth TISBO	8.3	104	97	201	88	56	(7)	5	1	1	144	57	351	16.4%
Total		490	349	839	289	263	(54)	42	(2)	1	539	300	2,182	13.8%
Narrowband Markets														
WFAEL	9.1	1,312	366	1,678	591	416	(144)	105	3	–	971	707	4,650	15.2%
ISDN2	9.2	37	61	98	26	14	(4)	3	2	(1)	40	58	150	38.5%
ISDN30	9.3	89	100	189	49	27	(5)	3	2	(1)	75	114	229	49.7%
Fixed Call Origination		119	45	164	74	22	(2)	1	7	1	103	61	162	37.8%
Fixed Geographic Call Termination	9.4	5	8	13	58	20	(2)	1	7	–	84	(71)	139	(51.0)%
Technical areas (DLE Interconnect Circuits)	9.5	–	6	6	5	1	0	0	0	–	6	–	8	(0.7)%
Total		1,562	586	2,148	803	500	(157)	113	21	(1)	1,279	869	5,338	16.3%
WBA (Market A)	10.1	368	34	402	111	68	(7)	0	5	1	178	224	384	58.5%
Total SMP Markets		3,283	2,307	5,590	2,127	1,359	(319)	231	19	2	3,419	2,171	13,034	16.7%
Wholesale Residual		2,147	473	2,620	2,354	432	(17)	(16)	49	1	2,803	(183)	1,357	(13.5)%
EOI Eliminations		(1,016)	–	(1,016)	(1,016)	–	–	–	–	–	(1,016)	–	–	–
Roundings		–	1	1	–	–	2	1	(1)	(3)	(1)	2	–	–
Total Wholesale Markets		4,414	2,781	7,195	3,465	1,791	(334)	216	67	–	5,205	1,990	14,391	13.8%
Retail Residual		–	21,282	21,282	18,314	1,781	–	–	–	1	20,096	1,186	17,167	6.9%
Eliminations		(4,414)	–	(4,414)	(4,414)	–	–	–	–	–	(4,414)	–	–	–
Roundings		–	(1)	(1)	–	–	–	–	–	(1)	(1)	–	1	–
Total Markets		–	24,062	24,062	17,365	3,572	(334)	216	67	–	20,886	3,176	31,559	10.1%

Section 6 Openreach Information

Section 6 – Openreach Information

6.1 Openreach Information

Openreach Statements

In accordance with Section 5.31 of the Undertakings, the RFS must separately present the financial results of Openreach and include a reconciliation of Openreach's revenue, operating profit (and other items agreed between us and Ofcom) with Openreach's financial information as shown in BT Group plc's Annual Report and Form 20-F.

The form, content and basis of preparation of the financial results of Openreach follow, to the fullest extent possible, those used in the preparation of the RFS. The reconciliation of this statement to the Openreach segmental financial information as shown in BT Group plc's Annual Report and Form 20-F is shown in the Income Statement below.

Reconciling Differences

The reconciling differences between the Openreach regulatory statement and the Openreach segmental financial information reported in BT Group plc's Annual Report and Form 20-F fall into the following main categories:

(a) Rental charge to Openreach for use of assets owned by TSO

Within the Openreach segmental financial information reported in BT Group plc's Annual Report and Form 20-F, the results include a charge for an appropriate return on capital where assets are owned by TSO (e.g. for line cards, electronics and network features) but are used by Openreach. The Openreach regulatory statements do not include this charge, as the basis for attribution of costs and assets to products in the regulatory accounts is actual costs and assets.

(b) Results relating to Northern Ireland's operations

The RFS have been prepared in accordance with the Final Statements imposed on BT where Ofcom has defined certain markets in which BT is deemed to have SMP in the UK. This definition includes BT's Northern Ireland operations. The Openreach segmental financial information reported in BT Group plc's Annual Report and Form 20-F excludes BT's operations in Northern Ireland. Accordingly, the results of the access network element of BT's Northern Ireland operations form part of the reconciliation.

(c) Other trading differences

The Openreach segmental financial information reported in BT Group plc's Annual Report and Form 20-F reflects the internal charges between BT's business units rather than the allocation of actual costs and capital employed as shown in the RFS.

(d) Deemed Consent

On March 2017 Ofcom found that Openreach had breached certain contractual and regulatory obligations by inadequately and retrospectively applying Deemed Consent to reduce compensation payments to CPs between January 2013 and December 2014.

Deemed Consent is an agreed contractual process between Openreach and its CP customers, which allows Openreach to reschedule the delivery date for providing dedicated business services (known as Ethernet) in a number of specific circumstances.

In 2016/17 a charge of £342m was recognised in the BT Group plc Annual Report and Form 20-F including a fine of £42m and estimated total compensation payments of around £300m.

We have agreed the majority of compensation payments to other CPs in 2017/18 and continue to estimate the total compensation payments will amount to £300m.

On 27 March 2018 Openreach reported to Ofcom that it had in its view, complied with the requirements set out in Ofcom's decision.

In 2016/17 these costs were not included in the Openreach segment results in BT Group plc's Annual Report and Form 20-F.

(e) Basis of preparation under CCA

The consolidated financial statements of BT Group plc have been prepared in accordance with the Companies Act 2006, Article 4 of the IAS Regulation and International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS) and related interpretations, as adopted by the European Union. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (the IASB).

The consolidated financial statements of BT Group plc are prepared on the historical cost basis, except for certain financial and equity instruments that have been measured at fair value.

BT's RFS have been prepared on a CCA basis, in accordance with the annually updated AMD. As such, a reconciliation entry has been made to include the aggregated CCA adjustments within the Openreach regulatory statement.

Section 6 – Openreach Information

Openreach Income Statement

For the year ended 31 March 2018

	WLA	WFAEL	ISDN2	ISDN30	Sub-total full SMP services (excluding CISBO)	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Sub-total full SMP services (including CISBO)	Other Openreach Markets & Activities (with no SMP reporting obligations)	Rounding	Total: Openreach Services – by regulated market
Openreach Services (by regulated market)	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue											
Internal Revenue											
– service(s) which are also available externally:											
– Internal LLU equivalent	142	–	–	–	142	–	–	142	–	–	142
– Other	793	1,274	33	77	2,177	344	17	2,538	183	–	2,721
– service(s) provided internally only											
– ePPCs	–	–	–	–	–	–	–	–	86	–	86
– Other	–	–	–	–	–	–	–	–	13	–	13
External Revenue	1,433	370	55	88	1,946	234	14	2,194	111	–	2,305
Roundings	–	–	–	–	–	–	–	–	–	–	–
Total Revenue	2,368	1,644	88	165	4,265	578	31	4,874	393	–	5,267
Operating Costs											
Provision and Maintenance	227	174	5	10	416	10	1	427	104	–	531
Network Support	149	93	3	5	250	40	1	291	31	–	322
General Support	196	116	3	6	321	62	3	386	37	–	423
General Management	249	148	5	10	412	88	5	505	65	(1)	569
Finance and Billing	8	5	0	0	13	2	0	15	1	1	17
Accommodation	108	87	9	16	220	18	1	239	102	(1)	340
Bad Debts	1	0	0	0	1	0	0	1	2	–	3
Other Costs	11	18	2	3	34	4	0	38	(98)	–	(60)
Depreciation – Land and Buildings	34	10	2	2	48	3	0	51	18	–	69
– Access	426	343	8	13	790	100	3	893	44	(2)	935
– Switch, Duct and Transmission	8	15	1	6	30	68	4	102	105	1	208
– Other related	85	34	2	3	124	17	1	142	29	–	171
Total Depreciation	553	402	13	24	992	188	8	1,188	196	(1)	1,383
Total HCA Operating Costs	1,502	1,043	40	74	2,659	412	19	3,090	440	(2)	3,528
CCA Adjustments:											
Holding (Gain)/Loss	(119)	(157)	(4)	(5)	(285)	(53)	(1)	(339)	(30)	(1)	(370)
Supplementary Depreciation	84	109	3	3	199	37	1	237	12	–	249
Other Adjustments	(6)	3	2	1	–	(3)	0	(3)	6	–	3
Roundings	1	–	(1)	(1)	(1)	(1)	(1)	(3)	–	3	–
Total CCA Operating Costs	1,462	998	40	72	2,572	392	18	2,982	428	–	3,410
Return	906	646	48	93	1,693	186	13	1,892	(35)	–	1,857
Return on mean capital employed	16.1%	13.9%	36.0%	45.0%	16.0%	10.0%	20.4%	15.1%	(3.8)%	n/a	13.8%

Section 6 – Openreach Information

Openreach Income Statement

Restated for the year ended 31 March 2017 (b)

	WLA	WFAEL	ISDN2	ISDN30	Sub-total full SMP services (excluding CISBO)	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Sub-total full SMP services (including CISBO)	Other Openreach Markets & Activities (with no SMP reporting obligations)	Rounding	Total: Openreach Services – by regulated market
Openreach Services (by regulated market)	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Revenue											
Internal Revenue											
– service(s) which are also available externally:											
– Internal LLU equivalent	165	–	–	–	165	–	–	165	–	–	165
– Other	698	1,312	37	89	2,136	368	18	2,522	213	(1)	2,734
– service(s) provided internally only											
– ePPCs	–	–	–	–	–	–	–	–	101	–	101
– Other	–	–	–	–	–	–	–	–	15	–	15
External Revenue	1,338	366	61	100	1,865	238	14	2,117	107	2	2,226
Roundings	–	–	–	–	–	–	–	–	–	(1)	(1)
Total Revenue	2,201	1,678	98	189	4,166	606	32	4,804	436	–	5,240
Operating Costs											
Provision and Maintenance	234	170	6	11	421	8	1	430	107	–	537
Network Support	138	63	2	4	207	25	1	233	24	(1)	256
General Support	156	92	3	5	256	43	2	301	75	–	376
General Management	256	152	5	10	423	90	5	518	384	–	902
Finance and Billing	8	6	0	0	14	2	0	16	4	–	20
Accommodation	115	88	8	16	227	18	1	246	98	1	345
Bad Debts	1	1	0	0	2	0	0	2	0	–	2
Other Costs	16	19	2	3	40	5	0	45	(75)	(1)	(31)
Depreciation – Land and Buildings	40	11	2	3	56	3	0	59	18	(1)	76
– Access	371	348	9	13	741	96	3	840	47	2	889
– Switch, Duct and Transmission	8	14	1	7	30	79	4	113	119	(1)	231
– Other related	109	43	2	4	158	21	1	180	40	–	220
Total Depreciation	528	416	14	27	985	199	8	1,192	224	–	1,416
Total HCA Operating Costs	1,452	1,007	40	76	2,575	390	18	2,983	841	(1)	3,823
CCA Adjustments:											
Holding (Gain)/Loss	(101)	(144)	(4)	(5)	(254)	(46)	(1)	(301)	(25)	1	(325)
Supplementary Depreciation	76	105	3	3	187	36	1	224	7	1	232
Other Adjustments	(5)	3	2	2	2	(3)	0	(1)	9	(1)	7
Roundings	1	–	(1)	(1)	(1)	–	–	(1)	2	–	1
Total CCA Operating Costs	1,423	971	40	75	2,509	377	18	2,904	834	–	3,738
Return	778	707	58	114	1,657	229	14	1,900	(398)	–	1,502
Return on mean capital employed	15.2%	15.2%	38.5%	49.7%	16.3%	13.0%	24.2%	15.9%	(38.2)%	n/a	11.5%

Section 6 – Openreach Information

Openreach MCE Statement

For the year ended 31 March 2018

Openreach Services (by regulated market)	WLA £m	WFAEL £m	ISDN2 £m	ISDN30 £m	Sub-total full SMP services (excluding CISBO) £m	Low Bandwidth CISBO Rest of UK £m	Low Bandwidth CISBO Combined Geographic £m	Sub-total full SMP services (including CISBO) £m	Other Openreach Markets & Activities (with no SMP reporting obligations) £m	Total: Openreach Services – by regulated market £m
Non-current Assets										
Property, plant and equipment										
Land & Buildings	286	104	14	25	429	26	1	456	187	643
Access – Copper	1,915	2,383	58	7	4,363	0	0	4,363	49	4,412
Access – Fibre	1,166	0	0	100	1,266	830	30	2,126	193	2,319
Access – Duct	1,958	1,941	47	43	3,989	688	17	4,694	515	5,209
Switch	19	32	4	3	58	–	–	58	0	58
Transmission	14	2	0	11	27	267	12	306	296	602
Other	305	145	8	14	472	65	3	540	127	667
Investments	0	0	0	0	0	0	0	0	0	0
Total Non-current assets	5,663	4,607	131	203	10,604	1,876	63	12,543	1,367	13,910
Current Assets										
Inventories	–	–	–	–	–	–	–	–	5	5
Receivables										
– Internal	156	108	6	11	281	38	2	321	26	347
– External	333	135	5	8	481	51	2	534	73	607
Total Current Assets	489	243	11	19	762	89	4	855	104	959
Current Liabilities										
– Internal	–	–	–	–	–	–	–	–	–	–
– External	(481)	(190)	(7)	(14)	(692)	(86)	(4)	(782)	(249)	(1,031)
Total Current Liabilities	(481)	(190)	(7)	(14)	(692)	(86)	(4)	(782)	(249)	(1,031)
Net Current Assets/(Liabilities)	8	53	4	5	70	3	0	73	(145)	(72)
Total Assets less Current Liabilities	5,671	4,660	135	208	10,674	1,879	63	12,616	1,222	13,838
Provisions for liabilities and charges	(35)	(23)	(1)	(2)	(61)	(10)	0	(71)	(295)	(366)
Roundings	1	1	–	1	3	–	–	3	–	3
Mean capital employed	5,637	4,638	134	207	10,616	1,869	63	12,548	927	13,475

Section 6 – Openreach Information

Openreach MCE Statement

Restated for the year ended 31 March 2017 (b)

Openreach Services (by regulated market)	WLA £m	WFAEL £m	ISDN2 £m	ISDN30 £m	Sub-total full SMP services (excluding CISBO) £m	Low Bandwidth CISBO Rest of UK £m	Low Bandwidth CISBO Combined Geographic £m	Sub-total full SMP services (including CISBO) £m	Other Openreach Markets & Activities (with no SMP reporting obligations) £m	Total: Openreach Services – by regulated market £m
Non-current Assets										
Property, plant and equipment										
Land & Buildings	355	105	14	26	500	26	2	528	186	714
Access – Copper	1,852	2,428	66	9	4,355	0	0	4,355	54	4,409
Access – Fibre	799	0	0	107	906	740	27	1,673	205	1,878
Access – Duct	1,755	1,900	52	48	3,755	678	16	4,449	502	4,951
Switch	21	45	7	5	78	0	0	78	0	78
Transmission	15	4	0	14	33	273	12	318	345	663
Other	350	160	9	16	535	71	3	609	143	752
Investments	0	0	0	0	0	0	0	0	0	0
Total Non-current assets	5,147	4,642	148	225	10,162	1,788	60	12,010	1,435	13,445
Current Assets										
Inventories	–	–	–	–	–	–	–	–	5	5
Receivables										
– Internal	151	115	7	13	286	42	2	330	30	360
– External	277	93	3	5	378	27	1	406	51	457
Total Current Assets	428	208	10	18	664	69	3	736	86	822
Current Liabilities										
– Internal	–	–	–	–	–	–	–	–	–	–
– External	(410)	(178)	(7)	(14)	(609)	(78)	(4)	(691)	(253)	(944)
Total Current Liabilities	(410)	(178)	(7)	(14)	(609)	(78)	(4)	(691)	(253)	(944)
Net Current Assets/(Liabilities)	18	30	3	4	55	(9)	(1)	45	(167)	(122)
Total Assets less Current Liabilities	5,165	4,672	151	229	10,217	1,779	59	12,055	1,268	13,323
Provisions for liabilities and charges	(34)	(22)	(1)	(2)	(59)	(9)	0	(68)	(225)	(293)
Roundings	(1)	–	–	2	1	1	1	3	1	4
Mean capital employed	5,130	4,650	150	229	10,159	1,771	60	11,990	1,044	13,034

Section 6 – Openreach Information

Reconciliation of Openreach Income Statements

For the year ended 31 March 2018

	Revenue £m	Operating Cost £m	Return or Operating Profit £m
As in the BT Group plc Annual Report and Form 20-F	5,123	3,963	1,160
Reconciliation differences¹:			
Use of BT TSO assets	(a) –	(103)	103
Northern Ireland	(b) 144	56	88
Other trading differences	(c) –	(388)	388
Total reconciliation differences	144	(435)	579
CCA Adjustments	(e) –	(118)	118
Rounding	–	–	–
Regulatory Openreach	5,267	3,410	1,857

For the year ended 31 March 2017 (b)

	Revenue £m	Operating Cost £m	Return or Operating Profit £m
As in the BT Group plc Annual Report and Form 20-F	5,098	3,834	1,264
Reconciliation differences¹:			
Use of BT TSO assets	(a) –	(103)	103
Northern Ireland	(b) 142	61	81
Other trading differences	(c) –	(311)	311
Regulatory matters – Deemed Consent	(d) –	342	(342)
Total reconciliation differences	142	(11)	153
CCA Adjustments	(e) –	(86)	86
Rounding	–	1	(1)
Regulatory Openreach	5,240	3,738	1,502

¹ See page 25 for an explanation of reconciliation differences.

Section 7
Review of Wholesale Local Access Markets

Section 7 – Review of Wholesale Local Access Markets

7.1 WLA Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
MPF Rentals	14.7	772.7	787.4	173,416	9,092,701	lines	84.61	84.98	14.3	750.4	764.7
MPF New Provide Services	1.0	70.7	71.7	23,023	1,949,415	conns	44.42	36.25	0.6	51.9	52.5
MPF Single Migrations	–	17.9	17.9	–	588,909	conns	–	30.39	–	14.3	14.3
MPF Bulk Migrations	–	0.4	0.4	–	16,846	conns	–	21.07	–	0.4	0.4
SMPF Rentals	11.8	1.9	13.7	4,700,528	749,096	lines	2.50	2.50	18.4	2.9	21.3
SMPF New Provide Services	22.7	2.4	25.1	859,916	79,051	conns	26.43	30.17	22.4	2.1	24.5
SMPF Single Migrations	0.9	0.8	1.7	28,676	24,699	conns	30.26	31.15	0.7	0.6	1.3
SMPF Bulk Migrations	0.2	–	0.2	11,779	–	conns	20.97	–	0.3	–	0.3
Co-mingling New Provide and Rental Services	–	36.4	36.4	(ux)	(ux)	(ux)	(sx)	(sx)	–	65.2	65.2
Tie Cables	12.9	5.1	18.0	(ux)	(ux)	(ux)	(sx)	(sx)	12.8	9.3	22.1
Hard Cease Services	8.4	16.5	24.9	390,726	829,176	ceases	21.58	19.85	4.9	10.3	15.2
Other LLU Ancillary Services	6.4	5.4	11.8	135,691	108,264	ancillaries	47.36	49.98	1.5	1.2	2.7
Special Fault Investigations	16.7	16.5	33.2	(ux)	(ux)	(ux)	(sx)	(sx)	25.2	19.3	44.5
Time Related Charges	7.8	22.1	29.9	(ux)	(ux)	(ux)	(sx)	(sx)	6.8	19.3	26.1
VULA Migrations	2.9	3.6	6.5	267,058	325,548	migrations	11.00	11.00	1.1	1.4	2.5
Other WLA	828.9	460.8	1,289.7	(ux)	(ux)	(ux)	(sx)	(sx)	608.8	316.9	925.7
Rounding	0.1	(0.2)	(0.1)						–	–	–
Total WLA	935.4	1,433.0	2,368.4						717.8	1,265.5	1,983.3

Section 7 – Review of Wholesale Local Access Markets

WLA calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	MPF Rentals		MPF New Provide Services		MPF Single Migrations	MPF Bulk Migrations	SMPF Rentals		SMPF New Provide Services		SMPF Single Migrations		SMPF Bulk Migrations	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	External £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £
Components	Unit (a)															
Co-mingling set up	rooms	3,158.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co-mingling rentals	hostels	56.58	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co-mingling power & vent	hostels	1.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WLA tie cables	cables	29.45	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Routing & Records	£/line	2.39	-	-	2.39	2.39	-	-	-	-	-	-	-	-	-	-
MDF Hardware jumpering	£/line	12.51	-	-	16.48	16.48	17.29	16.68	-	-	19.50	19.50	16.05	16.05	16.68	-
E side copper capital	£/line	6.83	6.83	6.83	-	-	-	-	-	-	-	-	-	-	-	-
E side copper current	£/line	3.49	4.23	4.23	-	-	-	-	0.72	0.72	-	-	-	-	-	-
D side copper capital	£/line	34.38	34.38	34.38	-	-	-	-	-	-	-	-	-	-	-	-
D side copper current	£/line	8.50	10.28	10.28	-	-	-	-	1.75	1.75	-	-	-	-	-	-
Local exchanges general frames equipment	£/line	0.95	1.90	1.90	-	-	-	-	0.95	0.95	-	-	-	-	-	-
Local exchanges general frames maintenance	£/line	1.16	1.40	1.40	-	-	-	-	0.24	0.24	-	-	-	-	-	-
Analogue line test equipment	£/line	0.12	0.12	0.12	-	-	-	-	-	-	-	-	-	-	-	-
Dropwire capital & analogue NTE	£/line	16.00	16.00	16.00	-	-	-	-	-	-	-	-	-	-	-	-
Analogue line drop maintenance	£/line	1.78	2.15	2.15	-	-	-	-	-	-	-	-	-	-	-	-
MPF line testing systems	£/line	2.61	2.61	2.61	-	-	-	-	-	-	-	-	-	-	-	-
Regulated time related charges	%	£63m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.04	0.04	0.02	0.02	0.02	0.01	0.00	0.00	0.01	0.02	0.02	0.02	0.01	-
Special Fault Investigation	%	£44m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FTTC Development	%	£5m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Openreach sales product management	%	£16m	0.09	0.09	0.05	0.04	0.03	0.02	0.02	0.02	0.19	0.22	0.22	0.22	0.15	-
OR Service Centre – Provision WLA	%	£17m	-	-	2.72	2.72	2.72	2.72	-	-	2.72	2.72	2.72	2.72	2.72	-
OR Service Centre – Provision NGA	%	£20m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Loop Unbundling systems development	%	£2m	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	-
OR Service Centre – Assurance WLA	%	£9m	0.84	0.84	-	-	-	-	0.14	0.14	-	-	-	-	-	-
Service Level Guarantees WLA	%	£26m	1.05	1.05	5.73	4.67	3.92	2.72	0.01	0.01	3.41	3.89	3.90	4.02	2.70	-
Revenue Receivables	%	£44m	0.49	0.49	0.26	0.21	0.18	0.12	0.01	0.01	0.15	0.17	0.18	0.18	0.12	-
Rounding			0.02	0.02	(0.01)	-	-	-	(0.01)	(0.01)	-	(0.01)	(0.01)	(0.01)	-	-
Fully Allocated Cost (£ or %)			82.52	82.52	27.73	26.62	24.25	22.36	3.92	3.92	26.07	26.60	23.17	23.29	22.47	-
Volume (units)			173,416	9,092,701	23,023	1,949,415	588,909	16,846	4,700,528	749,096	859,916	79,051	28,676	24,699	11,779	-
Fully Allocated Cost (£m)			14.3	750.4	0.6	51.9	14.3	0.4	18.4	2.9	22.4	2.1	0.7	0.6	0.3	-

Section 7 – Review of Wholesale Local Access Markets

WLA calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	Co-mingling New Provide and Rental Services			Tie Cables		Hard Cease Services		Other LLU Ancillary Services		Special Fault Investigations		Time Related Charges		VULA Migrations	
Fully Allocated Cost (£ or %)			External %	Internal %	External %	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %	Internal £	External £		
Components	Unit (a)																
Co-mingling set up	rooms	3,158.38	34.9%	-	-	-	-	-	-	-	-	-	-	-	-		
Co-mingling rentals	hostels	56.58	46.0%	-	-	-	-	-	-	-	-	-	-	-	-		
Co-mingling power & vent	hostels	1.06	17.7%	-	-	-	-	-	-	-	-	-	-	-	-		
WLA tie cables	cables	29.45	-	90.2%	88.4%	-	-	-	-	-	-	-	-	-	-		
Routing & Records	£/line	2.39	-	-	-	-	-	-	-	-	-	-	-	2.39	2.39		
MDF Hardware jumpering	£/line	12.51	-	-	-	9.40	9.34	1.43	1.43	-	-	-	-	-	-		
E side copper capital	£/line	6.83	-	-	-	-	-	-	-	-	-	-	-	-	-		
E side copper current	£/line	3.49	-	-	-	-	-	-	-	-	-	-	-	-	-		
D side copper capital	£/line	34.38	-	-	-	-	-	-	-	-	-	-	-	-	-		
D side copper current	£/line	8.50	-	-	-	-	-	-	-	-	-	-	-	-	-		
Local exchanges general frames equipment	£/line	0.95	-	-	-	-	-	-	-	-	-	-	-	-	-		
Local exchanges general frames maintenance	£/line	1.16	-	-	-	-	-	-	-	-	-	-	-	-	-		
Analogue line test equipment	£/line	0.12	-	-	-	-	-	-	-	-	-	-	-	-	-		
Dropwire capital & analogue NTE	£/line	16.00	-	-	-	-	-	-	-	-	-	-	-	-	-		
Analogue line drop maintenance	£/line	1.78	-	-	-	-	-	-	-	-	-	-	-	-	-		
MPF line testing systems	£/line	2.61	-	-	-	-	-	-	-	-	-	-	-	-	-		
Regulated time related charges	%	£63m	-	-	-	-	-	-	-	-	-	98.7%	98.7%	-	-		
Ofcom Administration Fee – Openreach	%	£3m	0.0%	0.1%	0.0%	0.01	0.01	0.02	0.03	0.0%	0.0%	0.1%	0.1%	0.01	0.01		
Special Fault Investigation	%	£44m	-	-	-	-	-	-	-	99.3%	99.1%	-	-	-	-		
FTTC Development	%	£5m	-	-	-	-	-	-	-	-	-	-	-	0.43	0.43		
Openreach sales product management	%	£16m	0.4%	0.1%	0.3%	0.15	0.14	0.05	0.05	0.3%	0.4%	0.5%	0.5%	0.04	0.04		
OR Service Centre – Provision WLA	%	£17m	0.0%	8.3%	8.2%	2.72	2.72	2.72	2.72	-	-	-	-	-	-		
OR Service Centre – Provision NGA	%	£20m	-	-	-	-	-	-	-	-	-	-	-	1.35	1.35		
Local Loop Unbundling systems development	%	£2m	0.1%	0.3%	0.3%	0.09	0.09	0.09	0.09	-	-	-	-	-	-		
OR Service Centre – Assurance WLA	%	£9m	0.7%	0.4%	2.5%	-	-	-	-	-	-	-	-	-	-		
Service Level Guarantees WLA	%	£26m	-	-	-	-	-	6.11	6.44	-	-	-	-	-	-		
Revenue Receivables	%	£44m	0.3%	0.6%	0.3%	0.12	0.11	0.27	0.29	0.4%	0.5%	0.7%	0.7%	0.07	0.07		
Rounding			(0.1)%	-	-	0.01	-	-	-	-	-	-	-	-	-		
Fully Allocated Cost (£ or %)			100.0%	100.0%	100.0%	12.50	12.41	10.69	11.05	100.0%	100.0%	100.0%	100.0%	4.29	4.29		
Volume (units)		(ux)		(ux)	(ux)	390,726	829,176	135,691	108,264	(ux)	(ux)	(ux)	(ux)	267,058	325,548		
Fully Allocated Cost (£/m)			65.2	12.8	9.3	4.9	10.3	1.5	1.2	25.2	19.3	6.8	19.3	1.1	1.4		

Section 7 – Review of Wholesale Local Access Markets

WLA Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
MPF Rentals	17.3	771.7	789.0	202,966	8,971,304	lines	85.29	86.02	16.6	733.1	749.7
MPF New Provide Services	0.9	74.7	75.6	20,680	2,090,515	conns	44.42	35.74	0.6	55.2	55.8
MPF Single Migrations	–	20.4	20.4	–	672,691	conns	–	30.30	–	15.6	15.6
MPF Bulk Migrations	–	1.9	1.9	–	83,343	conns	–	23.26	–	1.4	1.4
 SMPF Rentals	 13.6	 2.2	 15.8	 5,449,402	 865,147	 lines	 2.50	 2.50	 21.4	 3.4	 24.8
SMPF New Provide Services	30.9	2.8	33.7	1,123,348	93,510	conns	27.53	30.09	22.7	1.9	24.6
SMPF Single Migrations	1.2	1.6	2.8	39,012	51,752	conns	30.13	30.38	0.9	1.2	2.1
SMPF Bulk Migrations	0.1	0.6	0.7	4,743	30,092	conns	20.97	20.98	0.1	0.5	0.6
 Co-mingling New Provide and Rental Services	 –	 37.7	 37.7	 (ux)	 (ux)	 (ux)	 (sx)	 (sx)	 –	 64.0	 64.0
Tie Cables	13.2	5.7	18.9	(ux)	(ux)	(ux)	(sx)	(sx)	12.2	9.1	21.3
Hard Cease Services	9.7	16.0	25.7	402,026	754,750	ceases	24.08	21.14	6.2	11.6	17.8
Other LLU Ancillary Services	4.5	4.5	9.0	149,907	211,944	ancillaries	30.26	21.37	1.3	1.5	2.8
Special Fault Investigations	19.1	19.4	38.5	(ux)	(ux)	(ux)	(sx)	(sx)	27.0	20.6	47.6
Time Related Charges	5.4	32.2	37.6	(ux)	(ux)	(ux)	(sx)	(sx)	4.0	24.1	28.1
VULA Migrations	2.2	2.2	4.4	198,230	200,980	migrations	11.00	11.00	1.1	1.1	2.2
Other WLA	744.7	344.6	1,089.3	(ux)	(ux)	(ux)	(sx)	(sx)	577.1	259.4	836.5
Rounding	0.1	–	0.1						–	0.1	0.1
Total WLA	862.9	1,338.2	2,201.1						691.2	1,203.8	1,895.0

Section 7 – Review of Wholesale Local Access Markets

WLA calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	MPF Rentals		MPF New Provide Services		MPF Single Migrations	MPF Bulk Migrations	SMPF Rentals		SMPF New Provide Services		SMPF Single Migrations		SMPF Bulk Migrations	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	External £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £
Components	Unit (a)															
Co-mingling set up	rooms	3,280.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co-mingling rentals	hostels	49.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co-mingling power & vent	hostels	1.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WLA tie cables	cables	28.92	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Routing & Records	£/line	2.64	-	-	2.64	2.64	-	-	-	-	-	-	-	-	-	-
MDF Hardware jumpering	£/line	10.67	-	-	15.29	15.29	15.41	9.96	-	-	12.71	12.71	15.11	15.11	9.96	9.96
E side copper capital	£/line	6.53	6.53	6.53	-	-	-	-	-	-	-	-	-	-	-	-
E side copper current	£/line	3.42	4.14	4.14	-	-	-	-	0.70	0.70	-	-	-	-	-	-
D side copper capital	£/line	33.23	33.23	33.23	-	-	-	-	-	-	-	-	-	-	-	-
D side copper current	£/line	8.39	10.15	10.15	-	-	-	-	1.73	1.73	-	-	-	-	-	-
Local exchanges general frames equipment	£/line	0.96	1.92	1.92	-	-	-	-	0.96	0.96	-	-	-	-	-	-
Local exchanges general frames maintenance	£/line	1.12	1.36	1.36	-	-	-	-	0.23	0.23	-	-	-	-	-	-
Analogue line test equipment	£/line	0.13	0.13	0.13	-	-	-	-	-	-	-	-	-	-	-	-
Dropwire capital & analogue NTE	£/line	15.19	15.19	15.19	-	-	-	-	-	-	-	-	-	-	-	-
Analogue line drop maintenance	£/line	1.88	2.27	2.27	-	-	-	-	-	-	-	-	-	-	-	-
MPF line testing systems	£/line	3.23	3.23	3.23	-	-	-	-	-	-	-	-	-	-	-	-
Regulated time related charges	%	£61m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.05	0.05	0.02	0.02	0.02	0.01	0.00	0.00	0.02	0.02	0.02	0.02	0.01	0.01
Special Fault Investigation	%	£47m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
FTTC Development	%	£19m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Openreach sales product management	%	£22m	0.18	0.18	0.09	0.07	0.06	0.05	0.02	0.02	0.21	0.23	0.23	0.23	0.16	0.16
OR Service Centre – Provision WLA	%	£24m	-	-	3.52	3.52	3.52	3.52	-	-	3.52	3.52	3.52	3.52	3.52	3.52
OR Service Centre – Provision NGA	%	£13m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local Loop Unbundling systems development	%	£4m	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
OR Service Centre – Assurance WLA	%	£7m	0.65	0.65	-	-	-	-	0.11	0.11	-	-	-	-	-	-
Service Level Guarantees WLA	%	£37m	2.02	2.04	5.59	4.50	3.81	2.93	0.01	0.01	3.46	3.79	3.79	3.82	2.64	2.64
Revenue Receivables	%	£47m	0.51	0.52	0.27	0.22	0.18	0.14	0.02	0.02	0.17	0.18	0.18	0.18	0.13	0.13
Rounding			(0.02)	(0.02)	-	-	0.01	-	(0.01)	(0.01)	-	-	-	0.01	(0.01)	(0.01)
Fully Allocated Cost (£ or %)			81.69	81.72	27.57	26.41	23.16	16.76	3.92	3.92	20.24	20.60	23.00	23.04	16.56	16.56
Volume (units)			202,966	8,971,304	20,680	2,090,515	672,691	83,343	5,449,402	865,147	1,123,348	93,510	39,012	51,752	4,743	30,092
Fully Allocated Cost (£m)			16.6	733.1	0.6	55.2	15.6	1.4	21.4	3.4	22.7	1.9	0.9	1.2	0.1	0.5

Section 7 – Review of Wholesale Local Access Markets

WLA calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	Co-mingling New Provide and Rental Services			Tie Cables		Hard Cease Services		Other LLU Ancillary Services		Special Fault Investigations		Time Related Charges		VULA Migrations	
			External %	Internal %	External %	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %	Internal £	External £		
Fully Allocated Cost (£ or %)																	
Components	Unit (a)																
Co-mingling set up	rooms	3,280.69	37.4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co-mingling rentals	hostels	49.04	41.7%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Co-mingling power & vent	hostels	1.13	19.3%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
WLA tie cables	cables	28.92	-	87.6%	86.1%	-	-	-	-	-	-	-	-	-	-	-	-
Routing & Records	£/line	2.64	-	-	-	-	-	-	-	-	-	-	-	2.64	2.63	-	-
MDF Hardware jumpering	£/line	10.67	-	-	-	11.41	11.45	0.64	0.64	-	-	-	-	-	-	-	-
E side copper capital	£/line	6.53	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
E side copper current	£/line	3.42	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D side copper capital	£/line	33.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
D side copper current	£/line	8.39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local exchanges general frames equipment	£/line	0.96	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Local exchanges general frames maintenance	£/line	1.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Analogue line test equipment	£/line	0.13	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dropwire capital & analogue NTE	£/line	15.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Analogue line drop maintenance	£/line	1.88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
MPF line testing systems	£/line	3.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Regulated time related charges	%	£61m	-	-	-	-	-	-	-	-	-	98.5%	98.5%	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.0%	0.1%	0.0%	0.01	0.01	0.02	0.01	0.0%	0.1%	0.1%	0.1%	0.01	0.01	-	-
Special Fault Investigation	%	£47m	-	-	-	-	-	-	-	99.2%	99.0%	-	-	-	-	-	-
FTTC Development	%	£19m	-	-	-	-	-	-	-	-	-	-	-	1.90	1.90	-	-
Openreach sales product management	%	£22m	0.5%	0.2%	0.6%	0.18	0.16	0.06	0.04	0.3%	0.4%	0.6%	0.6%	0.06	0.06	-	-
OR Service Centre – Provision WLA	%	£24m	0.0%	10.7%	10.5%	3.52	3.52	3.52	3.52	-	-	-	-	-	-	-	-
OR Service Centre – Provision NGA	%	£13m	-	-	-	-	-	-	-	-	-	-	-	1.04	1.04	-	-
Local Loop Unbundling systems development	%	£4m	0.1%	0.5%	0.4%	0.15	0.15	0.15	0.15	-	-	-	-	-	-	-	-
OR Service Centre – Assurance WLA	%	£7m	0.6%	0.3%	1.9%	-	-	-	-	-	-	-	-	-	-	-	-
Service Level Guarantees WLA	%	£37m	-	-	-	-	-	3.81	2.69	-	-	-	-	-	-	-	-
Revenue Receivables	%	£47m	0.4%	0.7%	0.4%	0.15	0.13	0.18	0.13	0.4%	0.6%	0.8%	0.8%	0.07	0.07	-	-
Rounding			-	(0.1)%	0.1%	0.01	0.01	-	0.01	0.1%	(0.1)%	-	-	-	-	(0.01)	(0.01)
Fully Allocated Cost (£ or %)			100.0%	100.0%	100.0%	15.43	15.43	8.38	7.19	100.0%	100.0%	100.0%	100.0%	5.72	5.70		
Volume (units)		(ux)	(ux)	(ux)	402,026	754,750	149,907	211,944	(ux)	(ux)	(ux)	(ux)	(ux)	198,230	200,980		
Fully Allocated Cost (£m)		64.0	12.2	9.1	6.2	11.6	1.3	1.5	27.0	20.6	4.0	24.1	1.1	1.1			

Section 8
Review of Business Connectivity Markets

Section 8 – Review of Business Connectivity Markets

8.1 Low Bandwidth CISBO Rest of UK Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
EAD 1Gbps Rentals	54.2	31.9	86.1	18,099	10,586	ccts	2,995.78	3,012.79	42.4	24.8	67.2
EAD LA 1Gbps Rentals	39.5	10.0	49.5	16,536	4,172	ccts	2,387.71	2,398.04	26.7	6.7	33.4
EAD 1Gbps Connections*	4.7	4.1	8.8	3,334	2,840	ccts	1,420.75	1,454.96	5.5	4.7	10.2
EAD LA 1Gbps Connections*	4.6	2.8	7.4	3,357	2,062	ccts	1,364.76	1,367.70	5.5	3.4	8.9
Ethernet 1Gbps EAD and EAD LA Sub-basket	103.0	48.8	151.8						80.1	39.6	119.7
Ethernet Main Link Sub-basket up to and including 1Gbps	74.4	57.3	131.7	291,873	222,678	fibre km	254.78	257.19	51.9	39.6	91.5
Ethernet Interconnection Sub-basket	0.2	1.0	1.2	(ux)	(ux)	(ux)	(sx)	(sx)	0.3	1.0	1.3
EAD 10Mbps Rentals	5.7	2.9	8.6	3,163	1,613	ccts	1,800.23	1,800.00	7.2	3.7	10.9
EAD 100Mbps Rentals	27.9	24.6	52.5	15,457	13,682	ccts	1,804.04	1,800.07	35.3	31.2	66.5
EAD LA 10Mbps Rentals	10.2	2.2	12.4	7,280	1,570	ccts	1,398.04	1,398.00	11.0	2.4	13.4
EAD LA 100Mbps Rentals	65.4	54.9	120.3	46,757	39,239	ccts	1,398.31	1,398.04	71.6	60.1	131.7
EBD 1Gbps Rentals	2.4	3.0	5.4	847	1,068	ccts	2,801.19	2,845.01	9.7	13.3	23.0
WES 10Mbps Rentals	2.8	2.8	5.6	2,965	2,986	le	947.85	926.22	3.3	3.3	6.6
WES 100Mbps Rentals	3.1	2.8	5.9	3,047	2,760	le	1,005.20	1,001.00	3.4	3.1	6.5
WES 1Gbps Rentals	1.4	1.2	2.6	843	751	le	1,650.54	1,550.25	1.0	0.8	1.8
BES 1Gbps Rentals	0.4	2.8	3.2	288	1,858	le	1,505.48	1,497.14	0.3	2.1	2.4
EAD 10Mbps Connections*	0.1	0.0	0.1	31	8	ccts	1,978.71	1,942.50	0.1	0.0	0.1
EAD 100Mbps Connections*	2.2	3.1	5.3	2,154	3,197	ccts	1,010.09	963.92	3.5	5.2	8.7
EAD LA 10Mbps Connections*	0.1	0.0	0.1	56	6	ccts	1,896.96	1,898.33	0.1	0.0	0.1
EAD LA 100Mbps Connections*	11.3	11.8	23.1	11,521	11,854	ccts	979.86	995.40	18.9	19.4	38.3
EBD 1Gbps Connections	0.1	0.1	0.2	48	39	ccts	2,165.63	2,027.31	0.1	0.0	0.1
Other Services up to and including 1Gbps Rentals and Connections	1.5	1.2	2.7	(ux)	(ux)	(ux)	(sx)	(sx)	2.4	0.6	3.0
Total Ethernet Basket	312.2	220.5	532.7						300.2	225.4	525.6

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK Summary (continued)

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Exempt Ancillary Services	12.2	3.2	15.4	(ux)	(ux)	(ux)	(sx)	(sx)	8.7	0.5	9.2
Ethernet Time Related Charges (TRC)	2.6	1.0	3.6	(ux)	(ux)	(ux)	(sx)	(sx)	3.5	1.4	4.9
Excess Construction Charges (ECC)	16.9	9.4	26.3	(ux)	(ux)	(ux)	(sx)	(sx)	22.8	12.3	35.1
Rounding	(0.2)	(0.1)	(0.3)						(0.2)	0.2	–
Total Low Bandwidth CISBO Rest of UK	343.7	234.0	577.7						335.0	239.8	574.8

Notes

* EAD Connections Services includes Excess Construction Charge fixed fee revenue of £26.6m with matched costs of £25.5m and £9.2m of attributed indirect costs
 Excess Construction Charge revenue of £26.3m has matched costs of £25.2m and £9.3m of attributed indirect costs
 Time Related Charge revenue of £3.6m has matched costs of £3.5m and £1.3m of attributed indirect costs

EAD 1 Gbps – Includes internal discounted revenue of £3.2m on 2,818 connections and external discounted revenue of £2.5m on 2,332 connections
 EAD LA 1 Gbps – Includes internal discounted revenue of £2.8m on 2,711 connections and external discounted revenue of £1.7m on 1,699 connections
 EAD 100 Mbps – Includes internal discounted revenue of £1.0m on 1,565 connections and external discounted revenue of £1.6m on 2,435 connections
 EAD LA 100 Mbps – Includes internal discounted revenue of £5.6m on 8,505 connections and external discounted revenue of £5.7m on 8,599 connections

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

Fully Allocated Cost (£ or %)	Average cost per unit (from Appendix 1.1)	EAD 1Gbps Rentals		EAD LA 1Gbps Rentals		EAD 1Gbps Connections		EAD LA 1Gbps Connections		Ethernet Main Link up to and including 1Gbps		Ethernet Interconnection		EAD 10Mbps Rentals		EAD 100Mbps Rentals	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal £	External £	Internal £	External £
Components	Unit (a)																
Routing & Records	£/line	2.39	-	-	-	2.39	2.39	2.39	2.39	-	-	0.1%	0.1%	-	-	-	-
Ethernet Backhaul Direct extended reach	£/circuit	205.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,892.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,521.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	591.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	228.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	2,088.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	1,037.05	-	-	-	-	-	-	-	-	-	0.4%	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	1,044.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet main links	£/fibre km	170.61	-	-	-	-	-	-	-	170.61	170.61	-	-	-	-	-	-
Ethernet Electronics Current	£/le	72.71	72.71	72.71	72.71	-	-	-	-	-	-	0.0%	0.0%	72.71	72.71	72.71	72.71
OR Systems & Development – Ethernet	£/le	25.48	25.48	25.48	25.48	25.48	25.48	25.48	25.48	3.79	3.79	41.6%	29.4%	25.48	25.48	25.48	25.48
Ethernet Access Direct Fibre	£/circuit	784.63	1,573.93	1,573.93	852.49	852.49	-	-	-	-	-	0.2%	1,569.27	1,569.27	1,570.25	1,570.25	-
Ethernet Excess Construction	%	£42m	-	-	-	-	216.22	216.22	216.22	-	-	-	-	-	-	-	-
Ethernet Excess Construction Capex	%	£30m	-	-	-	-	289.79	289.79	289.79	-	-	-	-	-	-	-	-
OR Service Centre – Provision Ethernet	%	£8m	-	-	-	-	141.83	141.83	141.83	-	-	7.3%	8.9%	-	-	-	-
OR Service Centre – Assurance Ethernet	%	£0m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OR Project Services	%	£14m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	1.57	1.58	1.25	1.25	0.74	0.76	0.71	0.13	0.13	0.0%	0.1%	0.94	0.94	0.94	0.94
Openreach sales product management	%	£16m	18.41	18.52	14.67	14.74	8.73	8.94	8.39	1.57	1.58	0.5%	0.8%	11.06	11.06	11.09	11.06
Ethernet Monitoring Platform	£/circuit	334.28	55.29	55.29	55.29	55.29	-	-	-	-	-	-	-	55.29	55.29	55.29	55.29
EAD Electronics Capital	£/circuit	532.91	572.91	572.91	572.91	572.91	-	-	-	-	-	-	-	532.91	532.91	532.91	532.91
SLG Ethernet Provision	%	£51m	-	-	-	-	946.87	946.87	946.87	-	-	48.6%	59.1%	-	-	-	-
SLG Ethernet Assurance	%	£0m	0.71	0.71	0.71	0.71	-	-	-	-	-	1.0%	0.7%	0.71	0.71	0.71	0.71
Revenue Receivables	%	£44m	19.30	19.41	15.39	15.45	9.16	9.38	8.79	1.64	1.66	0.4%	0.7%	11.60	11.60	11.62	11.60
Rounding		(0.01)	(0.01)	-	-	0.01	0.01	0.01	-	-	-	0.1%	-	-	-	-	-
Fully Allocated Cost (£ or %)		2,340.30	2,340.53	1,610.90	1,611.03	1,641.22	1,641.67	1,640.48	1,640.52	177.74	177.77	100.0%	100.0%	2,279.97	2,279.97	2,281.00	2,280.95
	Volume (units)	18,099	10,586	16,536	4,172	3,334	2,840	3,357	2,062	291,873	222,678	(ux)	(ux)	3,163	1,613	15,457	13,682
	Fully Allocated Cost (£m)	42.4	24.8	26.7	6.7	5.5	4.7	5.5	3.4	51.9	39.6	0.3	1.0	7.2	3.7	35.3	31.2

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)		EAD LA 10Mbps Rentals		EAD LA 100Mbps Rentals		EBD 1Cbps Rentals		WES 10Mbps Rentals		WES 100Mbps Rentals		WES 1Cbps Rentals		BES 1Cbps Rentals		EAD 10Mbps Connections	
Fully Allocated Cost (£ or %)				Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £
Components	Unit (a)																		
Routing & Records	£/line	2.39	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.39	2.39
Ethernet Backhaul Direct extended reach	£/circuit	205.19	-	-	-	-	-	205.19	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,892.04	-	-	-	-	-	7,892.04	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,521.71	-	-	-	-	-	3,521.71	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	591.93	-	-	-	-	-	591.93	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	228.20	-	-	-	-	-	228.20	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	2,088.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	1,037.05	-	-	-	-	-	-	-	-	-	-	-	-	-	1,037.05	1,037.05	-	-
Wholesale Extension Services Fibre	£/le	1,044.05	-	-	-	-	-	-	1,044.05	1,044.05	1,044.41	1,044.41	1,054.04	1,054.04	-	-	-	-	-
Ethernet main links	£/fibre km	170.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	72.71	72.71	72.71	72.71	-	-	-	46.09	46.09	41.44	41.44	38.15	38.15	36.35	36.35	-	-	-
OR Systems & Development – Ethernet	£/le	25.48	25.48	25.48	25.48	25.48	25.48	25.48	13.94	13.94	13.94	13.94	13.94	13.94	13.94	13.94	25.48	25.48	-
Ethernet Access Direct Fibre	£/circuit	784.63	804.48	804.48	824.06	824.06	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Excess Construction	%	£42m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	216.22	216.22
Ethernet Excess Construction Capex	%	£30m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	289.79	289.79
OR Service Centre – Provision Ethernet	%	£8m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	141.83	141.83
OR Service Centre – Assurance Ethernet	%	£0m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OR Project Services	%	£14m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.73	0.73	0.73	0.73	1.47	1.49	0.50	0.48	0.53	0.52	0.86	0.81	0.79	0.78	1.04	1.02	-
Openreach sales product management	%	£16m	8.59	8.59	8.59	8.59	6.23	6.33	7.65	7.47	8.11	8.08	13.31	12.51	15.26	15.18	12.16	11.95	-
Ethernet Monitoring Platform	£/circuit	334.28	55.29	55.29	55.29	55.29	-	-	-	-	-	-	-	-	-	-	-	-	-
EAD Electronics Capital	£/circuit	532.91	532.91	532.91	532.91	532.91	-	-	-	-	-	-	-	-	-	-	-	-	-
SLG Ethernet Provision	%	£51m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	946.87	946.87
SLG Ethernet Assurance	%	£0m	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	-	-	-
Revenue Receivables	%	£44m	9.01	9.01	9.01	9.01	18.05	18.33	6.11	5.97	6.48	6.45	10.64	9.99	9.70	9.65	12.75	12.52	-
Rounding			-	-	-	-	-	(0.01)	(0.01)	-	(0.01)	-	-	(0.01)	0.01	-	-	0.01	-
Fully Allocated Cost (£ or %)			1,509.91	1,509.91	1,529.49	1,529.49	11,465.69	12,491.40	1,119.04	1,118.71	1,115.61	1,115.55	1,131.65	1,130.14	1,113.81	1,113.66	1,648.54	1,648.07	
Volume (units)			7,280	1,570	46,757	39,239	847	1,068	2,965	2,986	3,047	2,760	843	751	288	1,858	31	8	
Fully Allocated Cost (£m)			11.0	2.4	71.6	60.1	9.7	13.3	3.3	3.3	3.4	3.1	1.0	0.8	0.3	2.1	0.1	0.0	

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

Components	Unit (a)	Average cost per unit (from Appendix 1.1)	EAD 100Mbps Connections		EAD LA 10Mbps Connections		EAD LA 100Mbps Connections		EBD 1Gbps Connections		Other Services up to and including 1Gbps Rentals and Connections		Exempt Ancillary Services		Ethernet Time Related Charges		Excess Construction Charges	
			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %	Internal %	External %	Internal %	External %
Fully Allocated Cost (£ or %)																		
Routing & Records	£/line	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	0.0%	0.0%	–	–	–	–	–	–
Ethernet Backhaul Direct extended reach	£/circuit	205.19	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Active	£/circuit	7,892.04	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Passive	£/circuit	3,521.71	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Resilience Active	£/circuit	591.93	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Resilience Passive	£/circuit	228.20	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Ethernet rentals – CCTV	£/le	2,088.02	–	–	–	–	–	–	–	–	52.0%	4.3%	–	–	–	–	–	–
Backhaul Extension Services Fibre	£/le	1,037.05	–	–	–	–	–	–	–	–	32.3%	36.2%	–	–	–	–	–	–
Wholesale Extension Services Fibre	£/le	1,044.05	–	–	–	–	–	–	–	–	10.4%	47.2%	–	–	–	–	–	–
Ethernet main links	£/fibre km	170.61	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Electronics Current	£/le	72.71	–	–	–	–	–	–	–	–	1.6%	3.9%	–	–	–	–	–	–
OR Systems & Development – Ethernet	£/le	25.48	25.48	25.48	25.48	25.48	25.48	25.48	25.48	25.48	1.2%	1.7%	–	–	–	–	–	–
Ethernet Access Direct Fibre	£/circuit	784.63	–	–	–	–	–	–	–	–	–	3.3%	–	–	–	–	–	–
Ethernet Excess Construction	%	£42m	216.22	216.22	216.22	216.22	216.22	216.22	–	–	–	–	–	–	66.1%	66.1%	66.4%	65.6%
Ethernet Excess Construction Capex	%	£30m	289.79	289.79	289.79	289.79	289.79	289.79	–	–	–	–	–	–	33.0%	33.0%	32.7%	33.5%
OR Service Centre – Provision Ethernet	%	£8m	141.83	141.83	141.83	141.83	141.83	141.83	141.83	141.83	0.0%	0.0%	–	–	–	–	–	–
OR Service Centre – Assurance Ethernet	%	£0m	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
OR Project Services	%	£14m	–	–	–	–	–	–	–	–	–	–	98.5%	95.1%	–	–	–	–
Ofcom Administration Fee – Openreach	%	£3m	0.53	0.50	0.99	0.99	0.51	0.52	1.13	1.06	0.0%	0.1%	0.1%	0.3%	0.0%	0.0%	0.0%	0.0%
Openreach sales product management	%	£16m	6.21	5.92	11.66	11.67	6.02	6.12	4.82	4.51	0.5%	1.5%	0.5%	0.6%	0.3%	0.3%	0.3%	0.4%
Ethernet Monitoring Platform	£/circuit	334.28	–	–	–	–	–	–	–	–	1.4%	0.1%	–	–	–	–	–	–
EAD Electronics Capital	£/circuit	532.91	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
SLG Ethernet Provision	%	£51m	946.87	946.87	946.87	946.87	946.87	946.87	946.87	946.87	0.2%	0.4%	–	–	–	–	–	–
SLG Ethernet Assurance	%	£0m	–	–	–	–	–	–	–	–	0.0%	0.1%	–	–	–	–	–	–
Revenue Receivables	%	£44m	6.51	6.21	12.22	12.23	6.31	6.41	13.95	13.06	0.4%	1.2%	0.9%	4.0%	0.5%	0.5%	0.5%	0.5%
Rounding		–	–	0.02	0.01	0.01	0.02	0.01	0.01	0.01	–	–	–	–	0.1%	0.1%	0.1%	–
Fully Allocated Cost (£ or %)			1,635.83	1,635.23	1,647.46	1,647.48	1,635.44	1,635.64	1,136.48	1,135.21	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Volume (units)		2,154	3,197	56	6	11,521	11,854	48	39	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)		3.5	5.2	0.1	0.0	18.9	19.4	0.1	0.0	2.4	0.6	8.7	0.5	3.5	1.4	22.8	12.3

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
EAD 1Gbps Rentals	50.9	27.4	78.3	15,536	8,374	ccts	3,275.33	3,271.20	38.9	21.0	59.9
EAD LA 1Gbps Rentals	34.8	6.5	41.3	13,536	2,479	ccts	2,569.85	2,603.40	24.1	4.4	28.5
EAD 1Gbps Connections*	5.0	4.9	9.9	2,659	2,507	ccts	1,896.87	1,945.01	3.8	3.6	7.4
EAD LA 1Gbps Connections*	5.5	2.4	7.9	2,977	1,288	ccts	1,848.95	1,836.34	4.3	1.9	6.2
Ethernet 1Gbps EAD and EAD LA Sub-basket	96.2	41.2	137.4						71.1	30.9	102.0
Ethernet Main Link Sub-basket up to and including 1Gbps	83.7	61.7	145.4	287,949	214,852	fibre km	290.82	287.00	52.4	39.1	91.5
Ethernet Interconnection Sub-basket	0.4	0.8	1.2	(ux)	(ux)	(ux)	(sx)	(sx)	0.6	1.0	1.6
EAD 10Mbps Rentals	7.4	4.0	11.4	3,942	2,132	ccts	1,871.67	1,874.48	9.6	5.2	14.8
EAD 100Mbps Rentals	28.4	22.1	50.5	15,283	12,021	ccts	1,858.35	1,838.41	37.1	29.2	66.3
EAD LA 10Mbps Rentals	12.5	3.1	15.6	8,751	2,151	ccts	1,432.91	1,433.32	14.6	3.6	18.2
EAD LA 100Mbps Rentals	55.5	41.3	96.8	39,259	29,383	ccts	1,412.67	1,406.78	66.4	49.7	116.1
EBD 1Gbps Rentals	4.8	4.6	9.4	1,204	1,229	ccts	3,962.44	3,741.08	13.1	14.5	27.6
WES 10Mbps Rentals	5.6	6.0	11.6	3,979	4,440	le	1,397.52	1,344.84	4.4	4.9	9.3
WES 100Mbps Rentals	6.6	5.9	12.5	4,303	4,124	le	1,529.99	1,439.52	4.7	4.5	9.2
WES 1Gbps Rentals	2.5	2.2	4.7	1,082	994	le	2,314.59	2,240.47	1.2	1.1	2.3
BES 1Gbps Rentals	0.7	4.7	5.4	316	2,228	le	2,168.02	2,129.22	0.3	2.4	2.7
EAD 10Mbps Connections*	0.2	0.0	0.2	91	19	ccts	2,012.68	1,991.58	0.1	0.0	0.1
EAD 100Mbps Connections*	4.1	4.5	8.6	2,753	3,114	ccts	1,476.85	1,441.63	4.0	4.5	8.5
EAD LA 10Mbps Connections*	0.2	0.0	0.2	120	23	ccts	1,991.87	2,008.52	0.2	0.0	0.2
EAD LA 100Mbps Connections*	15.8	17.7	33.5	11,102	12,338	ccts	1,427.05	1,431.70	16.0	17.7	33.7
EBD 1Gbps Connections	0.1	0.1	0.2	65	38	ccts	1,954.62	1,635.79	0.1	0.0	0.1
Other Services up to and including 1Gbps Rentals and Connections	2.6	1.7	4.3	(ux)	(ux)	(ux)	(sx)	(sx)	3.1	0.8	3.9
Total Ethernet Basket	327.3	221.6	548.9						299.0	209.1	508.1

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK Summary (continued)

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Exempt Ancillary Services	13.7	3.1	16.8	(ux)	(ux)	(ux)	(sx)	(sx)	6.1	0.8	6.9
Ethernet Time Related Charges (TRC)	2.6	1.4	4.0	(ux)	(ux)	(ux)	(sx)	(sx)	2.3	1.2	3.5
Excess Construction Charges (ECC)	24.1	12.4	36.5	(ux)	(ux)	(ux)	(sx)	(sx)	20.9	10.8	31.7
Rounding	(0.1)	(0.1)	(0.2)						(0.1)	(0.1)	(0.2)
Total Low Bandwidth CISBO Rest of UK	367.6	238.4	606.0						328.2	221.8	550.0

Notes

*EAD Connections Services includes Excess Construction Charge fixed fee revenue of £25.5m with matched costs of £21.2m and £5.6m of attributed indirect costs

Excess Construction Charge revenue of £36.5m has matched costs of £30.4m and £8.2m of attributed indirect costs

Time Related Charge revenue of £4m has matched costs of £3.3m and £0.9m of attributed indirect costs

EAD 1 Gbps – Includes internal discounted revenue of £1.3m on 905 connections and external discounted revenue of £1.0m on 679 connections

EAD LA 1 Gbps – Includes internal discounted revenue of £1.1m on 811 connections and external discounted revenue of £0.5m on 372 connections

EAD 100 Mbps – Includes internal discounted revenue of £1.2m on 1,302 connections and external discounted revenue of £1.5m on 1,573 connections

EAD LA 100 Mbps – Includes internal discounted revenue of £5.2m on 5,485 connections and external discounted revenue of £5.7m on 6,029 connections

EBD 1 Gbps – Includes internal discounted revenue of £0.0m on 16 connections and external discounted revenue of £0.0m on 15 connections

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)		EAD 1Gbps Rentals		EAD LA 1Gbps Rentals		EAD 1Gbps Connections		EAD LA 1Gbps Connections		Ethernet Main Link up to and including 1Gbps		Ethernet Interconnection		EAD 10Mbps Rentals		EAD 100Mbps Rentals	
Fully Allocated Cost (£ or %)		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal £	External £	Internal £	External £
Components	Unit (a)																		
Routing & Records	£/line	2.64	-	-	-	-	2.64	2.64	2.64	2.64	-	-	0.1%	0.1%	-	-	-	-	-
Ethernet Backhaul Direct extended reach	£/circuit	100.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,244.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,536.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	620.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	188.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	1,540.51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	992.95	-	-	-	-	-	-	-	-	-	-	0.3%	-	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	998.88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet main links	£/fibre km	170.91	-	-	-	-	-	-	-	-	170.91	170.91	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	73.04	73.04	73.04	73.04	73.04	73.04	-	-	-	-	-	0.0%	0.0%	73.04	73.04	73.04	73.04	73.04
OR Systems & Development – Ethernet	£/le	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	6.21	6.21	38.4%	45.2%	45.51	45.51	45.51	45.51	45.51
Ethernet Access Direct Fibre	£/circuit	769.61	1,543.30	1,543.30	836.30	836.30	-	-	-	-	-	-	0.3%	-	1,539.31	1,539.31	1,540.15	1,540.15	1,540.15
Ethernet Excess Construction	%	£35m	-	-	-	-	149.21	149.21	149.21	149.21	-	-	-	-	-	-	-	-	-
Ethernet Excess Construction Capex	%	£23m	-	-	-	-	189.58	189.58	189.58	189.58	-	-	-	-	-	-	-	-	-
OR Service Centre – Provision Ethernet	%	£4m	-	-	-	-	67.54	67.54	67.54	67.54	-	-	3.8%	3.3%	-	-	-	-	-
OR Service Centre – Assurance Ethernet	%	£0m	1.58	1.58	1.58	1.58	-	-	-	-	-	-	1.2%	1.5%	1.58	1.58	1.58	1.58	1.58
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	1.83	1.83	1.44	1.45	1.06	1.09	1.03	1.03	0.16	0.16	0.0%	0.0%	1.05	1.05	1.04	1.04	1.03
Openreach sales product management	%	£22m	29.68	29.64	23.28	23.59	17.19	17.62	16.75	16.64	2.64	2.60	0.8%	1.0%	16.96	16.98	16.84	16.66	16.66
Ethernet Monitoring Platform	£/circuit	388.77	64.31	64.31	64.31	64.31	-	-	-	-	-	-	-	-	64.31	64.31	64.31	64.31	64.31
EAD Electronics Capital	£/circuit	670.69	719.20	719.20	719.20	719.20	-	-	-	-	-	-	-	-	670.69	670.69	670.69	670.69	670.69
SLG Ethernet Provision	%	£52m	-	-	-	-	960.55	960.55	960.55	960.55	-	-	53.5%	46.3%	-	-	-	-	-
SLG Ethernet Assurance	%	£0m	1.71	1.71	1.71	1.71	-	-	-	-	-	-	1.3%	1.6%	1.71	1.71	1.71	1.71	1.71
Revenue Receivables	%	£47m	21.99	21.96	17.25	17.47	12.73	13.06	12.41	12.33	1.95	1.93	0.4%	0.5%	12.56	12.58	12.47	12.34	12.34
Rounding		(0.01)	(0.01)	0.01	0.01	-	-	-	0.01	(0.01)	-	-	0.2%	0.2%	-	0.01	-	-	(0.01)
Fully Allocated Cost (£ or %)		2,502.14	2,502.07	1,783.63	1,784.17	1,446.01	1,446.80	1,445.23	1,445.02	181.87	181.81	100.0%	100.0%	2,426.72	2,426.77	2,427.34	2,427.01	2,427.01	2,427.01
	Volume (units)	15,536	8,374	13,536	2,479	2,659	2,507	2,977	1,288	287,949	214,852	(ux)	(ux)	3,942	2,132	15,283	12,021	12,021	12,021
	Fully Allocated Cost (£/m)	38.9	21.0	24.1	4.4	3.8	3.6	4.3	1.9	52.4	39.1	0.6	1.0	9.6	5.2	37.1	29.2	29.2	29.2

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	EAD LA 10Mbps Rentals		EAD LA 100Mbps Rentals		EBD 1Cbps Rentals		WES 10Mbps Rentals		WES 100Mbps Rentals		WES 1Gbps Rentals		BES 1Cbps Rentals		EAD 10Mbps Connections	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £
Components	Unit (a)																	
Routing & Records	£/line	2.64	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.64	2.64
Ethernet Backhaul Direct extended reach	£/circuit	100.28	-	-	-	-	-	100.28	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,244.23	-	-	-	-	7,244.22	7,244.22	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,536.72	-	-	-	-	3,536.72	3,536.72	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	620.24	-	-	-	-	-	620.24	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	188.21	-	-	-	-	-	188.21	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	1,540.51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	992.95	-	-	-	-	-	-	-	-	-	-	-	-	992.95	992.95	-	-
Wholesale Extension Services Fibre	£/le	998.88	-	-	-	-	-	-	998.88	998.88	999.11	999.11	1,023.30	1,023.30	-	-	-	-
Ethernet main links	£/fibre km	170.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	73.04	73.04	73.04	73.04	73.04	-	-	44.95	44.95	41.50	41.50	38.05	38.05	36.52	36.52	-	-
OR Systems & Development – Ethernet	£/le	45.51	45.51	45.51	45.51	45.51	45.51	45.51	22.76	22.76	22.76	22.76	22.76	22.76	22.76	22.76	45.51	45.51
Ethernet Access Direct Fibre	£/circuit	769.61	788.48	788.48	812.67	812.67	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Excess Construction	%	£35m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	149.21	149.21
Ethernet Excess Construction Capex	%	£23m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	189.58	189.58
OR Service Centre – Provision Ethernet	%	£4m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	67.54	67.54
OR Service Centre – Assurance Ethernet	%	£0m	1.58	1.58	1.58	1.58	1.58	1.58	0.79	0.79	0.79	0.79	0.79	0.79	0.79	0.79	-	-
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.80	0.80	0.79	0.79	2.21	2.09	0.78	0.75	0.85	0.80	1.29	1.25	1.21	1.19	1.12	1.11
Openreach sales product management	%	£22m	12.98	12.99	12.80	12.75	15.71	14.83	17.82	17.15	19.51	18.36	29.52	28.58	27.27	26.78	18.24	18.04
Ethernet Monitoring Platform	£/circuit	388.77	64.31	64.31	64.31	64.31	-	-	-	-	-	-	-	-	-	-	-	-
EAD Electronics Capital	£/circuit	670.69	670.69	670.69	670.69	670.69	-	-	-	-	-	-	-	-	-	-	-	-
SLG Ethernet Provision	%	£52m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	960.55	960.55
SLG Ethernet Assurance	%	£0m	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	-	-
Revenue Receivables	%	£47m	9.62	9.62	9.48	9.44	26.60	25.11	9.38	9.03	10.27	9.66	15.54	15.04	14.55	14.29	13.51	13.37
Rounding			-	-	0.01	-	0.01	0.01	-	-	0.01	0.01	-	(0.01)	0.01	0.01	-	0.01
Fully Allocated Cost (£ or %)			1,668.72	1,668.73	1,692.59	1,692.49	10,874.27	11,780.51	1,097.07	1,096.02	1,096.51	1,094.70	1,132.96	1,131.47	1,097.77	1,097.00	1,447.90	1,447.56
Volume (units)			8,751	2,151	39,259	29,383	1,204	1,229	3,979	4,440	4,303	4,124	1,082	994	316	2,228	91	19
Fully Allocated Cost (£m)			14.6	3.6	66.4	49.7	13.1	14.5	4.4	4.9	4.7	4.5	1.2	1.1	0.3	2.4	0.1	0.0

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Rest of UK calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	EAD 100Mbps Connections		EAD LA 10Mbps Connections		EAD LA 100Mbps Connections		EBD 1Gbps Connections		Other Services up to and including 1Gbps Rentals and Connections		Exempt Ancillary Services		Ethernet Time Related Charges		Excess Construction Charges	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %	Internal %	External %	Internal %	External %
Components	Unit (a)																	
Routing & Records	£/line	2.64	2.64	2.64	2.64	2.64	2.64	2.64	2.64	2.64	0.0%	0.0%	-	-	-	-	-	-
Ethernet Backhaul Direct extended reach	£/circuit	100.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,244.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,536.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	620.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	188.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	1,540.51	-	-	-	-	-	-	-	-	38.2%	2.8%	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	992.95	-	-	-	-	-	-	-	-	31.8%	35.2%	-	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	998.88	-	-	-	-	-	-	-	-	21.6%	43.3%	-	-	-	-	-	-
Ethernet main links	£/fibre km	170.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	73.04	-	-	-	-	-	-	-	-	2.0%	3.8%	-	-	-	-	-	-
OR Systems & Development – Ethernet	£/le	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	2.8%	3.6%	-	-	-	-	-	-
Ethernet Access Direct Fibre	£/circuit	769.61	-	-	-	-	-	-	-	-	-	2.8%	-	-	-	-	-	-
Ethernet Excess Construction	%	£35m	149.21	149.21	149.21	149.21	149.21	149.21	-	-	-	-	-	-	65.2%	65.2%	65.2%	65.2%
Ethernet Excess Construction Capex	%	£23m	189.58	189.58	189.58	189.58	189.58	189.58	-	-	-	-	-	-	33.5%	33.5%	33.5%	33.4%
OR Service Centre – Provision Ethernet	%	£4m	67.54	67.54	67.54	67.54	67.54	67.54	67.54	67.54	0.0%	0.1%	-	-	-	-	-	-
OR Service Centre – Assurance Ethernet	%	£0m	-	-	-	-	-	-	-	-	0.1%	0.1%	-	-	-	-	-	-
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	97.6%	96.1%	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.83	0.81	1.11	1.12	0.80	0.80	1.09	0.91	0.0%	0.1%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
Openreach sales product management	%	£22m	13.38	13.06	18.05	18.20	12.93	12.97	7.75	6.49	1.1%	2.7%	0.8%	0.9%	0.5%	0.5%	0.5%	0.5%
Ethernet Monitoring Platform	£/circuit	388.77	-	-	-	-	-	-	-	-	1.6%	0.1%	-	-	-	-	-	-
EAD Electronics Capital	£/circuit	670.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SLG Ethernet Provision	%	£52m	960.55	960.55	960.55	960.55	960.55	960.55	960.55	960.55	0.0%	3.7%	-	-	-	-	-	-
SLG Ethernet Assurance	%	£0m	-	-	-	-	-	-	-	-	0.2%	0.3%	-	-	-	-	-	-
Revenue Receivables	%	£47m	9.91	9.68	13.37	13.48	9.58	9.61	13.12	10.98	0.6%	1.4%	1.5%	2.7%	0.8%	0.8%	0.8%	0.8%
Rounding		-	-	-	-	-	-	-	-	-	-	-	-	0.1%	(0.1%)	(0.1%)	(0.1%)	-
Fully Allocated Cost (£ or %)			1,439.15	1,438.58	1,447.56	1,447.83	1,438.34	1,438.41	1,098.20	1,094.62	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Volume (units)		2,753	3,114	120	23	11,102	12,338	65	38	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)		4.0	4.5	0.2	0.0	16.0	17.7	0.1	0.0	3.1	0.8	6.1	0.8	2.3	1.2	20.9	10.8

Section 8 – Review of Business Connectivity Markets

8.2 Low Bandwidth CISBO Combined Geographic Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
EAD 1Gbps Rentals	1.7	2.0	3.7	559	653	ccts	3,017.77	3,011.77	0.9	1.0	1.9
EAD LA 1Gbps Rentals	3.1	1.7	4.8	1,278	709	ccts	2,394.32	2,403.43	1.6	0.9	2.5
EAD 1Gbps Connections*	0.2	0.3	0.5	127	231	ccts	1,386.76	1,433.57	0.2	0.4	0.6
EAD LA 1Gbps Connections*	0.5	0.4	0.9	379	271	ccts	1,327.69	1,411.75	0.6	0.4	1.0
Ethernet 1Gbps EAD and EAD LA Sub-basket	5.5	4.4	9.9						3.3	2.7	6.0
Ethernet Main Link Sub-basket up to and including 1Gbps	1.5	1.9	3.4	5,743	7,373	fibre km	264.17	258.66	0.4	0.5	0.9
Ethernet Interconnection Sub-basket	0.1	0.1	0.2	(ux)	(ux)	(ux)	(sx)	(sx)	0.1	0.1	0.2
EAD 10Mbps Rentals	0.1	0.1	0.2	60	64	ccts	1,800.00	1,800.00	0.1	0.1	0.2
EAD 100Mbps Rentals	0.8	1.5	2.3	471	811	ccts	1,801.66	1,800.00	0.7	1.2	1.9
EAD LA 10Mbps Rentals	0.6	0.1	0.7	434	82	ccts	1,398.65	1,398.00	0.5	0.1	0.6
EAD LA 100Mbps Rentals	4.6	3.3	7.9	3,294	2,325	ccts	1,398.49	1,398.00	3.8	2.7	6.5
EBD 1Gbps Rentals	0.1	0.2	0.3	42	72	ccts	2,717.68	2,705.46	0.4	0.7	1.1
WES 10Mbps Rentals	0.2	0.1	0.3	172	150	le	940.82	909.66	0.1	0.1	0.2
WES 100Mbps Rentals	0.3	0.2	0.5	259	232	le	997.14	933.12	0.2	0.1	0.3
WES 1Gbps Rentals	0.1	0.0	0.1	85	22	le	1,609.27	1,564.00	0.1	0.0	0.1
EAD 10Mbps Connections*	0.0	–	0.0	2	–	ccts	1,945.00	–	0.0	–	0.0
EAD 100Mbps Connections*	0.1	0.2	0.3	83	208	ccts	937.90	953.03	0.1	0.3	0.4
EAD LA 10Mbps Connections*	0.0	0.0	0.0	5	1	ccts	1,898.00	1,900.00	0.0	0.0	0.0
EAD LA 100Mbps Connections*	0.7	0.7	1.4	701	684	ccts	993.67	983.11	1.1	1.1	2.2
EBD 1Gbps Connections	0.0	0.0	0.0	1	4	ccts	2,100.00	2,100.00	0.0	0.0	0.0
Other Services up to and including 1Gbps Rentals and Connections	0.2	0.1	0.3	(ux)	(ux)	(ux)	(sx)	(sx)	0.2	0.0	0.2
Total Ethernet Basket	14.9	12.9	27.8						11.1	9.7	20.8

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic Summary (continued)

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Exempt Ancillary Services	0.9	0.2	1.1	(ux)	(ux)	(ux)	(sx)	(sx)	0.6	0.0	0.6
Ethernet Time Related Charges (TRC)	0.2	0.1	0.3	(ux)	(ux)	(ux)	(sx)	(sx)	0.2	0.1	0.3
Excess Construction Charges (ECC)	1.2	0.6	1.8	(ux)	(ux)	(ux)	(sx)	(sx)	1.6	0.8	2.4
Rounding	(0.1)	(0.1)	(0.2)						(0.1)	0.1	–
Total Low Bandwidth CISBO Combined Geographic	17.1	13.7	30.8						13.4	10.7	24.1

Notes

* EAD Connections Services includes Excess Construction Charge fixed fee revenue of £1.8m with matched costs of £1.7m and £0.6m of attributed indirect costs

Excess Construction Charge revenue of £1.8m has matched costs of £1.7m and £0.6m of attributed indirect costs

Time Related Charge revenue of £0.2m has matched costs of £0.2m and £0.1m of attributed indirect costs

EAD 1 Gbps – Includes internal discounted revenue of £0.1m on 99 connections and external discounted revenue of £0.2m on 166 connections

EAD LA 1 Gbps – Includes internal discounted revenue of £0.3m on 290 connections and external discounted revenue of £0.2m on 187 connections

EAD 100 Mbps – Includes internal discounted revenue of £0.0m on 65 connections and external discounted revenue of £0.1m on 160 connections

EAD LA 100 Mbps – Includes internal discounted revenue of £0.3m on 510 connections and external discounted revenue of £0.3m on 503 connections

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

Fully Allocated Cost (£ or %)	Average cost per unit (from Appendix 1.1)	EAD 1Gbps Rentals		EAD LA 1Gbps Rentals		EAD 1Gbps Connections		EAD LA 1Gbps Connections		Ethernet Main Link up to and including 1Gbps		Ethernet Interconnection		EAD 10Mbps Rentals		EAD 100Mbps Rentals	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal £	External £	Internal £	External £
Components	Unit (a)																
Routing & Records	£/line	2.39	-	-	-	2.39	2.39	2.39	2.39	-	-	0.1%	0.2%	-	-	-	-
Ethernet Backhaul Direct extended reach	£/circuit	205.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,892.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,521.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	591.93	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	228.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	2,088.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	1,037.05	-	-	-	-	-	-	-	-	-	1.6%	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	1,044.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet main links	£/fibre km	170.61	-	-	-	-	-	-	-	65.14	65.14	-	-	-	-	-	-
Ethernet Electronics Current	£/le	72.71	72.71	72.71	72.71	72.71	72.71	-	-	-	-	0.1%	0.1%	72.71	72.71	72.71	72.71
OR Systems & Development – Ethernet	£/le	25.48	25.48	25.48	25.48	25.48	25.48	25.48	25.48	3.79	3.79	29.7%	18.1%	25.48	25.48	25.48	25.48
Ethernet Access Direct Fibre	£/circuit	784.63	816.68	816.68	453.11	453.11	-	-	-	-	-	-	0.7%	806.78	806.78	807.41	807.41
Ethernet Excess Construction	%	£42m	-	-	-	-	198.62	198.62	198.62	198.62	-	-	-	-	-	-	-
Ethernet Excess Construction Capex	%	£30m	-	-	-	-	289.79	289.79	289.79	289.79	-	-	-	-	-	-	-
OR Service Centre – Provision Ethernet	%	£8m	-	-	-	-	141.83	141.83	141.83	141.83	-	-	8.7%	10.2%	-	-	-
OR Service Centre – Assurance Ethernet	%	£0m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OR Project Services	%	£14m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	1.58	1.58	1.25	1.26	0.73	0.75	0.69	0.74	0.14	0.14	0.0%	0.1%	0.94	0.94	0.94
Openreach sales product management	%	£16m	18.55	18.51	14.71	14.77	8.52	8.81	8.16	8.68	1.62	1.59	0.5%	1.1%	11.06	11.06	11.07
Ethernet Monitoring Platform	£/circuit	334.28	55.29	55.29	55.29	55.29	-	-	-	-	-	-	-	55.29	55.29	55.29	55.29
EAD Electronics Capital	£/circuit	532.91	572.91	572.91	572.91	572.91	-	-	-	-	-	-	-	532.91	532.91	532.91	532.91
SLG Ethernet Provision	%	£51m	-	-	-	-	946.87	946.87	946.87	946.87	-	-	58.1%	68.3%	-	-	-
SLG Ethernet Assurance	%	£0m	0.71	0.71	0.71	0.71	-	-	-	-	-	-	0.7%	0.4%	0.71	0.71	0.71
Revenue Receivables	%	£44m	19.45	19.41	15.43	15.49	8.94	9.24	8.56	9.10	1.70	1.67	0.4%	0.9%	11.60	11.60	11.61
Rounding		(0.02)	(0.02)	-	(0.01)	-	-	0.01	0.01	-	(0.01)	0.1%	(0.1)%	-	-	-	-
Fully Allocated Cost (£ or %)		1,583.34	1,583.26	1,211.60	1,211.72	1,623.17	1,623.79	1,622.40	1,623.50	72.39	72.32	100.0%	100.0%	1,517.48	1,517.48	1,518.13	1,518.11
Volume (units)		559	653	1,278	709	127	231	379	271	5,743	7,373	(ux)	(ux)	60	64	471	811
Fully Allocated Cost (£m)		0.9	1.0	1.6	0.9	0.2	0.4	0.6	0.4	0.4	0.5	0.1	0.1	0.1	0.1	0.7	1.2

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	EAD LA 10Mbps Rentals		EAD LA 100Mbps Rentals		EBD 1Gbps Rentals		WES 10Mbps Rentals		WES 100Mbps Rentals		WES 1Gbps Rentals		EAD 10Mbps Connections	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £
Components	Unit (a)															
Routing & Records	£/line	2.39	-	-	-	-	-	-	-	-	-	-	-	-	2.39	-
Ethernet Backhaul Direct extended reach	£/circuit	205.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,892.04	-	-	-	-	7,892.04	7,892.04	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,521.71	-	-	-	-	997.09	997.09	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	591.93	-	-	-	-	-	591.93	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	228.20	-	-	-	-	-	64.61	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	2,088.02	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	1,037.05	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	1,044.05	-	-	-	-	-	-	536.76	536.76	541.14	541.14	546.83	546.83	-	-
Ethernet main links	£/fibre km	170.61	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	72.71	72.71	72.71	72.71	72.71	-	-	40.81	40.81	40.71	40.71	39.56	39.56	-	-
OR Systems & Development – Ethernet	£/le	25.48	25.48	25.48	25.48	25.48	25.48	25.48	13.94	13.94	13.94	13.94	13.94	13.94	25.48	-
Ethernet Access Direct Fibre	£/circuit	784.63	423.25	423.25	432.81	432.81	-	-	-	-	-	-	-	-	-	-
Ethernet Excess Construction	%	£42m	-	-	-	-	-	-	-	-	-	-	-	-	198.62	-
Ethernet Excess Construction Capex	%	£30m	-	-	-	-	-	-	-	-	-	-	-	-	289.79	-
OR Service Centre – Provision Ethernet	%	£8m	-	-	-	-	-	-	-	-	-	-	-	-	141.83	-
OR Service Centre – Assurance Ethernet	%	£0m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OR Project Services	%	£14m	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.73	0.73	0.73	0.73	1.42	1.42	0.49	0.48	0.52	0.49	0.84	0.82	1.02	-
Openreach sales product management	%	£16m	8.60	8.59	8.59	8.59	6.04	6.02	0.31	0.30	0.33	0.31	0.54	0.52	11.93	-
Ethernet Monitoring Platform	£/circuit	334.28	55.29	55.29	55.29	55.29	-	-	-	-	-	-	-	-	-	-
EAD Electronics Capital	£/circuit	532.91	532.91	532.91	532.91	532.91	-	-	-	-	-	-	-	-	-	-
SLG Ethernet Provision	%	£51m	-	-	-	-	-	-	-	-	-	-	-	-	946.87	-
SLG Ethernet Assurance	%	£0m	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	0.71	-	-
Revenue Receivables	%	£44m	9.01	9.01	9.01	9.01	17.51	17.43	6.06	5.86	6.43	6.01	10.37	10.08	12.53	-
Rounding			-	-	0.01	-	0.01	-	-	(0.01)	-	-	-	-	0.01	-
Fully Allocated Cost (£ or %)			1,128.69	1,128.68	1,138.25	1,138.24	8,940.30	9,596.73	599.08	598.85	603.78	603.31	612.79	612.46	1,630.47	-
Volume (units)			434	82	3,294	2,325	42	72	172	150	259	232	85	22	2	-
Fully Allocated Cost (£m)			0.5	0.1	3.8	2.7	0.4	0.7	0.1	0.1	0.2	0.1	0.1	0.0	0.0	-

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

Fully Allocated Cost (£ or %)	Average cost per unit (from Appendix 1.1)	EAD 100Mbps Connections		EAD LA 10Mbps Connections		EAD LA 100Mbps Connections		EBD 1 Gbps Connections		Other Services up to and including 1Gbps Rentals and Connections		Exempt Ancillary Services		Ethernet Time Related Charges		Excess Construction Charges	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %	Internal %	External %	Internal %	External %
Components	Unit (a)																
Routing & Records	£/line	2.39	2.39	2.39	2.39	2.39	2.39	2.39	2.39	0.0%	–	–	–	–	–	–	–
Ethernet Backhaul Direct extended reach	£/circuit	205.19	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Active	£/circuit	7,892.04	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Passive	£/circuit	3,521.71	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Resilience Active	£/circuit	591.93	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct Resilience Passive	£/circuit	228.20	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Ethernet rentals – CCTV	£/le	2,088.02	–	–	–	–	–	–	–	67.0%	24.3%	–	–	–	–	–	–
Backhaul Extension Services Fibre	£/le	1,037.05	–	–	–	–	–	–	–	26.0%	42.6%	–	–	–	–	–	–
Wholesale Extension Services Fibre	£/le	1,044.05	–	–	–	–	–	–	–	0.4%	13.5%	–	–	–	–	–	–
Ethernet main links	£/fibre km	170.61	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Electronics Current	£/le	72.71	–	–	–	–	–	–	–	1.8%	5.0%	–	–	–	–	–	–
OR Systems & Development – Ethernet	£/le	25.48	25.48	25.48	25.48	25.48	25.48	25.48	25.48	0.9%	1.8%	–	–	–	–	–	–
Ethernet Access Direct Fibre	£/circuit	784.63	–	–	–	–	–	–	–	–	9.4%	–	–	–	–	–	–
Ethernet Excess Construction	%	£42m	198.62	198.62	198.62	198.62	198.62	–	–	–	–	–	–	66.0%	66.0%	66.4%	65.6%
Ethernet Excess Construction Capex	%	£30m	289.79	289.79	289.79	289.79	289.79	–	–	–	–	–	–	33.1%	33.1%	32.7%	33.5%
OR Service Centre – Provision Ethernet	%	£8m	141.83	141.83	141.83	141.83	141.83	141.83	141.83	0.2%	–	–	–	–	–	–	–
OR Service Centre – Assurance Ethernet	%	£0m	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
OR Project Services	%	£14m	–	–	–	–	–	–	–	–	–	98.5%	95.7%	–	–	–	–
Ofcom Administration Fee – Openreach	%	£3m	0.49	0.50	0.99	0.99	0.52	0.51	1.10	0.0%	0.1%	0.1%	0.3%	0.0%	0.0%	0.0%	0.0%
Openreach sales product management	%	£16m	5.76	5.86	11.66	11.69	6.11	6.04	4.68	0.1%	1.2%	0.5%	0.6%	0.3%	0.3%	0.3%	0.4%
Ethernet Monitoring Platform	£/circuit	334.28	–	–	–	–	–	–	–	1.8%	0.6%	–	–	–	–	–	–
EAD Electronics Capital	£/circuit	532.91	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
SLG Ethernet Provision	%	£51m	946.87	946.87	946.87	946.87	946.87	946.87	946.87	1.2%	–	–	–	–	–	–	–
SLG Ethernet Assurance	%	£0m	–	–	–	–	–	–	–	0.0%	0.1%	–	–	–	–	–	–
Revenue Receivables	%	£44m	6.04	6.14	12.23	12.24	6.40	6.34	13.53	0.6%	1.3%	1.0%	3.4%	0.5%	0.5%	0.5%	0.5%
Rounding		0.02	0.01	0.02	0.02	0.01	0.01	–	–	–	0.1%	(0.1)%	–	0.1%	0.1%	0.1%	–
Fully Allocated Cost (£ or %)		1,617.29	1,617.49	1,629.88	1,629.92	1,618.02	1,617.88	1,135.88	1,135.88	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Volume (units)	83	208	5	1	701	684	1	4	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)	0.1	0.3	0.0	0.0	1.1	1.1	0.0	0.0	0.2	0.0	0.6	0.0	0.2	0.1	1.6	0.8

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
EAD 1Gbps Rentals	1.6	1.7	3.3	493	507	ccts	3,315.16	3,255.37	0.9	0.9	1.8
EAD LA 1Gbps Rentals	2.5	1.3	3.8	982	486	ccts	2,587.62	2,596.30	1.4	0.7	2.1
EAD 1Gbps Connections*	0.2	0.3	0.5	85	179	ccts	2,169.13	1,930.02	0.1	0.3	0.4
EAD LA 1Gbps Connections*	0.5	0.4	0.9	282	241	ccts	1,835.76	1,857.87	0.4	0.3	0.7
Ethernet 1Gbps EAD and EAD LA Sub-basket	4.8	3.7	8.5						2.8	2.2	5.0
Ethernet Main Link Sub-basket up to and including 1Gbps	1.8	2.2	4.0	5,969	7,547	fibre km	307.09	291.97	0.4	0.6	1.0
Ethernet Interconnection Sub-basket	0.1	0.1	0.2	(ux)	(ux)	(ux)	(sx)	(sx)	0.1	0.1	0.2
EAD 10Mbps Rentals	0.1	0.1	0.2	67	80	ccts	1,892.92	1,876.38	0.1	0.1	0.2
EAD 100Mbps Rentals	0.9	1.4	2.3	458	767	ccts	1,873.78	1,842.81	0.8	1.3	2.1
EAD LA 10Mbps Rentals	0.7	0.2	0.9	505	105	ccts	1,435.76	1,433.61	0.7	0.1	0.8
EAD LA 100Mbps Rentals	4.2	2.6	6.8	2,965	1,837	ccts	1,414.90	1,406.85	4.0	2.5	6.5
EBD 1Gbps Rentals	0.3	0.3	0.6	72	94	ccts	3,898.29	3,609.99	0.6	0.9	1.5
WES 10Mbps Rentals	0.3	0.3	0.6	217	223	le	1,456.23	1,391.51	0.1	0.1	0.2
WES 100Mbps Rentals	0.5	0.5	1.0	339	343	le	1,551.24	1,406.02	0.2	0.2	0.4
WES 1Gbps Rentals	0.2	0.1	0.3	101	31	le	2,342.90	2,221.12	0.1	0.0	0.1
EAD 10Mbps Connections*	–	0.0	0.0	–	1	ccts	–	1,950.00	–	0.0	0.0
EAD 100Mbps Connections*	0.1	0.3	0.4	66	190	ccts	1,351.13	1,420.37	0.1	0.3	0.4
EAD LA 10Mbps Connections*	0.0	0.0	0.0	20	1	ccts	1,993.60	1,900.00	0.0	0.0	0.0
EAD LA 100Mbps Connections*	1.0	1.0	2.0	729	687	ccts	1,432.95	1,430.90	1.0	1.0	2.0
EBD 1Gbps Connections	0.0	0.0	0.0	2	6	ccts	1,750.00	1,983.33	0.0	0.0	0.0
Other Services up to and including 1Gbps Rentals and Connections	0.3	0.1	0.4	(ux)	(ux)	(ux)	(sx)	(sx)	0.2	0.0	0.2
Total Ethernet Basket	15.3	12.9	28.2						11.2	9.4	20.6

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic Summary (continued)

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Exempt Ancillary Services	0.9	0.2	1.1	(ux)	(ux)	(ux)	(sx)	(sx)	0.4	0.0	0.4
Ethernet Time Related Charges (TRC)	0.2	0.1	0.3	(ux)	(ux)	(ux)	(sx)	(sx)	0.2	0.1	0.3
Excess Construction Charges (ECC)	1.6	0.8	2.4	(ux)	(ux)	(ux)	(sx)	(sx)	1.4	0.7	2.1
Rounding	0.2	(0.1)	0.1						0.1	–	0.1
Total Low Bandwidth CISBO Combined Geographic	18.2	13.9	32.1						13.3	10.2	23.5

Notes

* EAD Connections Services includes Excess Construction Charge fixed fee revenue of £1.6m with matched costs of £1.4m and £0.4m of attributed indirect costs

Excess Construction Charge revenue of £2.4m has matched costs of £2.0m and £0.5m of attributed indirect costs

Time Related Charge revenue of £0.3m has matched costs of £0.2m and £0.1m of attributed indirect costs

EAD 1 Gbps – Includes internal discounted revenue of £0.0m on 24 connections and external discounted revenue of £0.1m on 42 connections

EAD LA 1 Gbps – Includes internal discounted revenue of £0.1m on 86 connections and external discounted revenue of £0.1m on 62 connections

EAD 100 Mbps – Includes internal discounted revenue of £0.0m on 39 connections and external discounted revenue of £0.1m on 100 connections

EAD LA 100 Mbps – Includes internal discounted revenue of £0.3m on 356 connections and external discounted revenue of £0.3m on 336 connections

EBD 1 Gbps – Includes internal discounted revenue of £0.0m on 1 connection and external discounted revenue of £0.0m on 1 connection

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	EAD 1Gbps Rentals		EAD LA 1Gbps Rentals		EAD 1Gbps Connections		EAD LA 1Gbps Connections		Ethernet Main Link up to and including 1Gbps		Ethernet Interconnection		EAD 10Mbps Rentals		EAD 100Mbps Rentals	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal £	External £	Internal £	External £
Components	Unit (a)																	
Routing & Records	£/line	2.64	-	-	-	-	2.64	2.64	2.64	2.64	-	-	0.2%	0.1%	-	-	-	-
Ethernet Backhaul Direct extended reach	£/circuit	100.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,244.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,536.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	620.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	188.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	1,540.51	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	992.95	-	-	-	-	-	-	-	-	-	-	1.2%	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	998.88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet main links	£/fibre km	170.91	-	-	-	-	-	-	-	-	62.98	62.98	-	-	-	-	-	-
Ethernet Electronics Current	£/le	73.04	73.04	73.04	73.04	73.04	-	-	-	-	-	-	0.1%	0.1%	73.04	73.04	73.04	73.04
OR Systems & Development – Ethernet	£/le	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	6.21	6.21	34.2%	35.7%	45.51	45.51	45.51	45.51
Ethernet Access Direct Fibre	£/circuit	769.61	856.31	856.31	476.61	476.61	-	-	-	-	-	-	-	1.0%	845.53	845.53	846.34	846.34
Ethernet Excess Construction	%	£35m	-	-	-	-	142.90	142.90	142.90	142.90	-	-	-	-	-	-	-	-
Ethernet Excess Construction Capex	%	£23m	-	-	-	-	189.58	189.58	189.58	189.58	-	-	-	-	-	-	-	-
OR Service Centre – Provision Ethernet	%	£4m	-	-	-	-	67.54	67.54	67.54	67.54	-	-	4.0%	3.8%	-	-	-	-
OR Service Centre – Assurance Ethernet	%	£0m	1.58	1.58	1.58	1.58	-	-	-	-	-	-	1.1%	1.2%	1.58	1.58	1.58	1.58
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	1.85	1.82	1.45	1.45	1.21	1.08	1.03	1.04	0.17	0.16	0.0%	0.1%	1.06	1.05	1.05	1.03
Openreach sales product management	%	£22m	30.04	29.50	23.45	23.52	19.65	17.49	16.63	16.83	2.78	2.65	0.9%	1.7%	17.15	17.00	16.98	16.70
Ethernet Monitoring Platform	£/circuit	388.77	64.31	64.31	64.31	64.31	-	-	-	-	-	-	-	-	64.31	64.31	64.31	64.31
EAD Electronics Capital	£/circuit	670.69	719.20	719.20	719.20	719.20	-	-	-	-	-	-	-	-	670.69	670.69	670.69	670.69
SLG Ethernet Provision	%	£52m	-	-	-	-	960.55	960.55	960.55	960.55	-	-	56.7%	54.2%	-	-	-	-
SLG Ethernet Assurance	%	£0m	1.71	1.71	1.71	1.71	-	-	-	-	-	-	1.2%	1.2%	1.71	1.71	1.71	1.71
Revenue Receivables	%	£47m	22.25	21.85	17.37	17.43	14.56	12.95	12.32	12.47	2.06	1.96	0.5%	0.9%	12.71	12.59	12.58	12.37
Rounding			0.01	-	(0.01)	-	-	-	-	-	0.01	-	(0.1)%	-	-	0.01	(0.01)	(0.01)
Fully Allocated Cost (£ or %)			1,815.81	1,814.83	1,424.22	1,424.36	1,444.14	1,440.24	1,438.70	1,439.06	74.21	73.96	100.0%	100.0%	1,733.29	1,733.02	1,733.78	1,733.27
Volume (units)			493	507	982	486	85	179	282	241	5,969	7,547	(ux)	(ux)	67	80	458	767
Fully Allocated Cost (£m)			0.9	0.9	1.4	0.7	0.1	0.3	0.4	0.3	0.4	0.6	0.1	0.1	0.1	0.1	0.8	1.3

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

Fully Allocated Cost (£ or %)	Average cost per unit (from Appendix 1.2)	EAD LA 10Mbps Rentals		EAD LA 100Mbps Rentals		EBD 1Gbps Rentals		WES 10Mbps Rentals		WES 100Mbps Rentals		WES 1Gbps Rentals		EAD 10Mbps Connections	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £
Components	Unit (a)														
Routing & Records	£/line	2.64	-	-	-	-	-	-	-	-	-	-	-	-	2.64
Ethernet Backhaul Direct extended reach	£/circuit	100.28	-	-	-	-	100.28	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,244.23	-	-	-	7,244.22	7,244.22	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,536.72	-	-	-	917.41	917.41	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	620.24	-	-	-	-	620.24	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	188.21	-	-	-	-	48.82	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	1,540.51	-	-	-	-	-	-	-	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	992.95	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	998.88	-	-	-	-	-	548.71	548.71	551.92	551.92	557.07	557.07	-	-
Ethernet main links	£/fibre km	170.91	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	73.04	73.04	73.04	73.04	-	-	40.93	40.93	40.79	40.79	39.84	39.84	-	-
OR Systems & Development – Ethernet	£/le	45.51	45.51	45.51	45.51	45.51	45.51	22.76	22.76	22.76	22.76	22.76	22.76	-	45.51
Ethernet Access Direct Fibre	£/circuit	769.61	443.84	443.84	454.74	454.74	-	-	-	-	-	-	-	-	-
Ethernet Excess Construction	%	£35m	-	-	-	-	-	-	-	-	-	-	-	-	142.90
Ethernet Excess Construction Capex	%	£23m	-	-	-	-	-	-	-	-	-	-	-	-	189.58
OR Service Centre – Provision Ethernet	%	£4m	-	-	-	-	-	-	-	-	-	-	-	-	67.54
OR Service Centre – Assurance Ethernet	%	£0m	1.58	1.58	1.58	1.58	1.58	0.79	0.79	0.79	0.79	0.79	0.79	-	-
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.80	0.80	0.79	0.79	2.18	2.02	0.81	0.78	0.87	0.79	1.31	1.24	1.09
Openreach sales product management	%	£22m	13.01	12.99	12.82	12.75	15.46	14.31	1.08	1.03	1.15	1.04	1.74	1.65	17.75
Ethernet Monitoring Platform	£/circuit	388.77	64.31	64.31	64.31	64.31	-	-	-	-	-	-	-	-	-
EAD Electronics Capital	£/circuit	670.69	670.69	670.69	670.69	670.69	-	-	-	-	-	-	-	-	-
SLG Ethernet Provision	%	£52m	-	-	-	-	-	-	-	-	-	-	-	-	960.55
SLG Ethernet Assurance	%	£0m	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	1.71	-	-
Revenue Receivables	%	£47m	9.64	9.62	9.50	9.44	26.17	24.23	9.77	9.34	10.41	9.44	15.73	14.91	13.09
Rounding		-	0.01	-	-	-	0.01	-	(0.01)	-	-	(0.01)	(0.01)	-	(0.01)
Fully Allocated Cost (£ or %)		1,324.13	1,324.10	1,334.69	1,334.56	8,254.24	9,020.34	626.56	626.04	630.40	629.24	640.94	639.96	-	1,440.64
	Volume (units)	505	105	2,965	1,837	72	94	217	223	339	343	101	31	-	1
	Fully Allocated Cost (£m)	0.7	0.1	4.0	2.5	0.6	0.9	0.1	0.1	0.2	0.2	0.1	0.0	-	0.0

Section 8 – Review of Business Connectivity Markets

Low Bandwidth CISBO Combined Geographic calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	EAD 100Mbps Connections		EAD LA 10Mbps Connections		EAD LA 100Mbps Connections		EBD 1Gbps Connections		Other Services up to and including 1Gbps Rentals and Connections		Exempt Ancillary Services		Ethernet Time Related Charges		Excess Construction Charges	
			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %	Internal %	External %	Internal %	External %
Fully Allocated Cost (£ or %)																		
Components	Unit (a)																	
Routing & Records	£/line	2.64	2.64	2.64	2.64	2.64	2.64	2.64	2.64	2.64	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct extended reach	£/circuit	100.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Active	£/circuit	7,244.23	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Passive	£/circuit	3,536.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Active	£/circuit	620.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct Resilience Passive	£/circuit	188.21	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Ethernet rentals – CCTV	£/le	1,540.51	-	-	-	-	-	-	-	-	59.3%	16.9%	-	-	-	-	-	-
Backhaul Extension Services Fibre	£/le	992.95	-	-	-	-	-	-	-	-	32.7%	46.2%	-	-	-	-	-	-
Wholesale Extension Services Fibre	£/le	998.88	-	-	-	-	-	-	-	-	0.5%	14.1%	-	-	-	-	-	-
Ethernet main links	£/fibre km	170.91	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics Current	£/le	73.04	-	-	-	-	-	-	-	-	2.2%	5.2%	-	-	-	-	-	-
OR Systems & Development – Ethernet	£/le	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	45.51	1.8%	3.0%	-	-	-	-	-	-
Ethernet Access Direct Fibre	£/circuit	769.61	-	-	-	-	-	-	-	-	-	9.3%	-	-	-	-	-	-
Ethernet Excess Construction	%	£35m	142.90	142.90	142.90	142.90	142.90	142.90	-	-	-	-	-	-	65.2%	65.2%	65.2%	65.2%
Ethernet Excess Construction Capex	%	£23m	189.58	189.58	189.58	189.58	189.58	189.58	-	-	-	-	-	-	33.4%	33.4%	33.5%	33.4%
OR Service Centre – Provision Ethernet	%	£4m	67.54	67.54	67.54	67.54	67.54	67.54	67.54	67.54	-	-	-	-	-	-	-	-
OR Service Centre – Assurance Ethernet	%	£0m	-	-	-	-	-	-	-	-	0.1%	0.1%	-	-	-	-	-	-
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	97.6%	96.7%	-	-	-	-
Ofcom Administration Fee – Openreach	%	£3m	0.75	0.79	1.11	1.06	0.80	0.80	0.98	1.11	0.1%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%	0.1%
Openreach sales product management	%	£22m	12.24	12.87	18.06	17.30	12.98	12.97	6.96	7.86	0.1%	2.3%	0.8%	0.9%	0.5%	0.5%	0.5%	0.5%
Ethernet Monitoring Platform	£/circuit	388.77	-	-	-	-	-	-	-	-	2.5%	0.7%	-	-	-	-	-	-
EAD Electronics Capital	£/circuit	670.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SLG Ethernet Provision	%	£52m	960.55	960.55	960.55	960.55	960.55	960.55	960.55	960.55	-	-	-	-	-	-	-	-
SLG Ethernet Assurance	%	£0m	-	-	-	-	-	-	-	-	0.1%	0.2%	-	-	-	-	-	-
Revenue Receivables	%	£47m	9.07	9.53	13.38	12.75	9.62	9.60	11.75	13.31	0.8%	1.8%	1.5%	2.3%	0.8%	0.8%	0.8%	0.8%
Rounding			0.01	-	0.01	-	-	-	-	-	(0.2)%	-	-	(0.1)%	-	-	(0.1)%	-
Fully Allocated Cost (£ or %)			1,430.79	1,431.91	1,441.28	1,439.83	1,432.12	1,432.09	1,095.93	1,098.52	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
	Volume (units)		66	190	20	1	729	687	2	6	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)		0.1	0.3	0.0	0.0	1.0	1.0	0.0	0.0	0.2	0.0	0.4	0.0	0.2	0.1	1.4	0.7

Section 8 – Review of Business Connectivity Markets

8.3 Low Bandwidth TISBO Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
Radio Backhaul Services 64Kbps Connections	0.0	0.0	0.0	12	44	ccts	468.01	468.01	0.0	0.1	0.1
Radio Backhaul Services 64Kbps Rentals	1.3	4.4	5.7	(ux)	(ux)	(ux)	(sx)	(sx)	1.4	5.1	6.5
Radio Backhaul Services 2Mbps Connections	0.0	0.1	0.1	9	32	ccts	1,733.17	1,733.17	0.1	0.4	0.5
Radio Backhaul Services 2Mbps Rentals	3.6	12.8	16.4	(ux)	(ux)	(ux)	(sx)	(sx)	2.7	10.2	12.9
Other Mobile Services	1.1	–	1.1	(ux)	(ux)	(ux)	(sx)	(sx)	1.7	–	1.7
TI Mobile Services Sub-Cap	6.0	17.3	23.3						5.9	15.8	21.7
Partial and Private Circuits Point of Handover	–	1.0	1.0	(ux)	20,662	le	(sx)	47.45	–	2.4	2.4
TI Interconnection Sub-Cap	–	1.0	1.0						–	2.4	2.4
Partial and Private Circuits 64Kbps Connections	0.0	0.0	0.0	(ux)	(ux)	(ux)	(sx)	(sx)	0.0	0.1	0.1
Partial and Private Circuits 64Kbps Local Ends	8.6	2.2	10.8	11,025	2,778	le	780.95	780.95	17.1	4.3	21.4
Partial and Private Circuits 64Kbps Links	5.5	1.4	6.9	31,847	7,902	links	173.69	173.81	5.8	1.4	7.2
Partial and Private Circuits 64Kbps Terminating segments	2.1	0.7	2.8	640,922	228,330	km	3.25	3.24	5.0	1.8	6.8
Partial and Private Circuits 2Mbps Connections	0.0	0.7	0.7	14	337	ccts	2,217.40	2,217.40	0.2	4.5	4.7
Partial and Private Circuits 2Mbps Local Ends	34.7	17.5	52.2	35,292	17,476	le	983.16	1,002.21	21.4	10.6	32.0
Partial and Private Circuits 2Mbps Links	6.8	5.6	12.4	16,850	14,350	links	406.15	389.92	3.5	2.9	6.4
Partial and Private Circuits 2Mbps Terminating segments	20.3	19.7	40.0	311,355	291,544	km	65.10	67.50	17.7	17.5	35.2
Partial and Private Circuits Other	2.1	4.5	6.6	(ux)	(ux)	(ux)	(sx)	(sx)	0.3	7.8	8.1
TI All Services Sub-Cap	80.1	52.3	132.4						71.0	50.9	121.9
TI Services Basket	86.1	70.6	156.7						76.9	69.1	146.0
TI Excess Construction Charges*	0.1	0.1	0.2								
ECC Asset Depreciation**	–	–	–								
Rounding	0.1	0.1	0.2								
Total Low Bandwidth TISBO	86.3	70.8	157.1								

Notes

* Estimated matched cost of £0.1m (Internal) and £0.1m (External). These are capital costs and therefore not included in the market total of operating costs.

** Estimated depreciation on equipment of £3.2m

Section 8 – Review of Business Connectivity Markets

Low Bandwidth TISBO calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	Radio Backhaul Services 64Kbps Connections		Radio Backhaul Services 64Kbps Rentals		Radio Backhaul Services 2Mbps Connections		Radio Backhaul Services 2Mbps Rentals		Other Mobile Services	Partial and Private Circuits Point of Handover	Partial and Private Circuits 64Kbps Connections	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal %	External %	Internal £	External £	Internal %	External %	Internal %	External £	Internal %	External %
Components	Unit (a)													
E side copper capital	£/line	6.83	–	–	–	0.2%	–	–	–	0.0%	0.0%	–	–	–
E side copper current	£/line	3.49	–	–	–	0.0%	–	–	–	0.0%	0.0%	–	–	–
D side copper capital	£/line	34.38	–	–	–	1.1%	–	–	–	0.2%	0.0%	–	–	–
D side copper current	£/line	8.50	–	–	–	0.1%	–	–	–	0.0%	0.0%	–	–	–
Local exchanges general frames equipment	£/line	0.95	–	–	–	0.0%	–	–	–	0.0%	0.0%	–	–	–
PC rental 2Mbps link per km distribution	£/km	62.91	–	–	–	–	–	–	51.7%	48.4%	57.0%	–	–	–
Point of Handover electronics	£/eq	9,271.69	–	–	–	–	–	–	–	–	–	–	–	–
PC rental 64Kbps link	£/link	171.55	–	–	24.1%	23.7%	–	–	–	–	–	–	–	–
PC rental 2Mbps link	£/link	183.41	–	–	–	–	–	–	9.1%	8.6%	4.5%	–	–	–
PC rental 64Kbps link per km transmission	£/km	7.64	–	–	46.3%	45.6%	–	–	–	–	–	–	–	–
2Mbps and above PC link connection cct provision	£/circuit	13,125.69	–	–	–	–	13,125.69	13,125.69	–	–	7.0%	–	–	–
64Kbps PC link connection cct provision	£/circuit	5,813.66	3,023.11	3,023.11	–	–	–	–	–	–	–	–	99.0%	99.9%
PC rental 64Kbps link local end	£/le	1,451.28	–	–	9.6%	9.4%	–	–	–	–	–	33.17	–	–
PC rental 2Mbps local end copper	£/le	318.10	–	–	5.3%	5.2%	–	–	1.0%	0.9%	0.2%	6.56	–	–
PC rental 2Mbps local end fibre	£/le	575.32	–	–	9.8%	9.7%	–	–	28.7%	26.9%	14.1%	72.79	–	–
PC rentals 2Mbps regional trunk	£/km	29.46	–	–	–	–	–	–	1.5%	6.5%	10.1%	–	–	–
PC rental 2Mbps link per km national trunk	£/km	14.12	–	–	–	–	–	–	0.3%	1.3%	3.4%	–	–	–
Customer support – Partial private circuits	%	£11m	23.36	23.36	4.4%	4.3%	86.49	86.49	6.7%	6.3%	3.2%	2.37	0.9%	0.1%
Ofcom Administration Fee – Wholesale	%	£1m	0.22	0.22	0.0%	0.0%	0.82	0.82	0.1%	0.1%	0.0%	0.02	0.0%	0.0%
TISBO Excess Construction	%	£9m	–	–	–	–	–	–	–	–	–	–	–	–
Low TISBO 3rd party equipment depn	%	£3m	–	–	–	–	–	–	–	–	–	–	–	–
Revenue Receivables	%	£44m	3.02	3.02	0.6%	0.6%	11.17	11.17	0.9%	0.8%	0.4%	0.31	0.1%	0.0%
Rounding			(0.01)	(0.01)	(0.1)%	0.1%	–	–	–	–	0.1%	–	–	–
Fully Allocated Cost (£ or %)			3,049.70	3,049.70	100.0%	100.0%	13,224.17	13,224.17	100.0%	100.0%	100.0%	115.22	100.0%	100.0%
	Volume (units)		12	44	(ux)	(ux)	9	32	(ux)	(ux)	(ux)	20,662	(ux)	(ux)
	Fully Allocated Cost (£m)		0.0	0.1	1.4	5.1	0.1	0.4	2.7	10.2	1.7	2.4	0.0	0.1

Section 8 – Review of Business Connectivity Markets

Low Bandwidth TISBO calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	Partial and Private Circuits 64Kbps Local Ends		Partial and Private Circuits 64Kbps Links		Partial and Private Circuits 64Kbps Terminating segments		Partial and Private Circuits 2Mbps Connections		Partial and Private Circuits 2Mbps Local Ends		Partial and Private Circuits 2Mbps Links		Partial and Private Circuits 2Mbps Terminating segments		Partial and Private Circuits Other	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %
Components	Unit (a)																	
E side copper capital	£/line	6.83	6.83	6.83	-	-	-	-	-	-	1.46	1.62	-	-	-	-	0.1%	-
E side copper current	£/line	3.49	2.90	2.90	-	-	-	-	-	-	0.02	0.03	-	-	-	-	-	-
D side copper capital	£/line	34.38	34.38	34.38	-	-	-	-	-	-	7.34	8.13	-	-	-	-	0.4%	-
D side copper current	£/line	8.50	7.05	7.05	-	-	-	-	-	-	0.06	0.06	-	-	-	-	-	-
Local exchanges general frames equipment	£/line	0.95	0.95	0.95	-	-	-	-	-	-	0.20	0.22	-	-	-	-	-	-
PC rental 2Mbps link per km distribution	£/km	62.91	-	-	-	-	-	-	-	-	-	-	-	-	45.26	51.08	31.8%	6.6%
Point of Handover electronics	£/eq	9,271.69	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	50.7%
PC rental 64Kbps link	£/link	171.55	-	-	171.55	171.55	-	-	-	-	-	-	-	-	-	-	-	-
PC rental 2Mbps link	£/link	183.41	-	-	-	-	-	-	-	-	-	-	181.77	181.77	-	-	3.1%	0.7%
PC rental 64Kbps link per km transmission	£/km	7.64	-	-	-	-	7.64	7.64	-	-	-	-	-	-	-	-	-	-
2Mbps and above PC link connection cct provision	£/circuit	13,125.69	-	-	-	-	-	-	13,125.69	13,125.69	-	-	-	-	-	-	-	-
64Kbps PC link connection cct provision	£/circuit	5,813.66	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PC rental 64Kbps link local end	£/le	1,451.28	1,451.28	1,451.28	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PC rental 2Mbps local end copper	£/le	318.10	-	-	-	-	-	-	-	-	41.23	45.62	-	-	-	-	2.3%	-
PC rental 2Mbps local end fibre	£/le	575.32	-	-	-	-	-	-	-	-	500.76	492.81	-	-	-	-	20.0%	3.0%
PC rentals 2Mbps regional trunk	£/km	29.46	-	-	-	-	-	-	-	-	-	-	-	-	7.94	5.17	8.0%	2.1%
PC rental 2Mbps link per km national trunk	£/km	14.12	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer support – Partial private circuits	%	£11m	38.97	38.97	8.67	8.67	0.16	0.16	110.66	110.66	49.06	50.02	20.27	19.46	3.25	3.37	30.1%	2.9%
Ofcom Administration Fee – Wholesale	%	£1m	0.37	0.37	0.08	0.08	-	-	1.05	1.05	0.46	0.47	0.19	0.18	0.03	0.03	0.3%	-
TISBO Excess Construction	%	£9m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Low TISBO 3rd party equipment depn	%	£3m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.6%
Revenue Receivables	%	£44m	5.03	5.03	1.12	1.12	0.02	0.02	14.29	14.29	6.34	6.46	2.62	2.51	0.42	0.43	3.9%	0.4%
Rounding			0.02	0.02	-	0.01	0.01	(0.01)	(0.01)	-	(0.01)	-	0.01	-	0.01	-	-	-
Fully Allocated Cost (£ or %)			1,547.78	1,547.78	181.42	181.43	7.83	7.83	13,251.68	13,251.68	606.93	605.43	204.85	203.93	56.90	60.09	100.0%	100.0%
	Volume (units)		11,025	2,778	31,847	7,902	640,922	228,330	14	337	35,292	17,476	16,850	14,350	311,355	291,544	(ux)	(ux)
	Fully Allocated Cost (£m)		17.1	4.3	5.8	1.4	5.0	1.8	0.2	4.5	21.4	10.6	3.5	2.9	17.7	17.5	0.3	7.8

Section 8 – Review of Business Connectivity Markets

Low Bandwidth TISBO Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
Radio Backhaul Services 64Kbps Connections	0.0	0.0	0.0	25	91	ccts	488.65	488.65	0.0	0.2	0.2
Radio Backhaul Services 64Kbps Rentals	1.6	5.8	7.4	(ux)	(ux)	(ux)	(sx)	(sx)	1.4	5.3	6.7
Radio Backhaul Services 2Mbps Connections	0.0	0.1	0.1	15	55	ccts	2,009.06	2,009.06	0.1	0.5	0.6
Radio Backhaul Services 2Mbps Rentals	5.7	20.5	26.2	(ux)	(ux)	(ux)	(sx)	(sx)	4.1	15.6	19.7
Other Mobile Services	2.4	–	2.4	(ux)	(ux)	(ux)	(sx)	(sx)	3.3	–	3.3
TI Mobile Services Sub-Cap	9.7	26.4	36.1						8.9	21.6	30.5
Partial and Private Circuits Point of Handover	–	1.3	1.3	(ux)	27,170	le	(sx)	46.10	–	3.0	3.0
TI Interconnection Sub-Cap	–	1.3	1.3						–	3.0	3.0
Partial and Private Circuits 64Kbps Connections	0.0	0.0	–	(ux)	(ux)	(ux)	(sx)	(sx)	0.1	0.1	0.2
Partial and Private Circuits 64Kbps Local Ends	9.3	2.9	12.2	12,473	3,853	le	748.08	748.08	17.3	5.3	22.6
Partial and Private Circuits 64Kbps Links	5.8	1.7	7.5	36,513	10,781	links	159.51	159.85	5.7	1.7	7.4
Partial and Private Circuits 64Kbps Terminating segments	2.2	0.9	3.1	745,824	305,847	km	2.96	2.95	5.3	2.2	7.5
Partial and Private Circuits 2Mbps Connections	0.4	1.0	1.4	192	431	ccts	2,217.40	2,217.40	1.7	3.7	5.4
Partial and Private Circuits 2Mbps Local Ends	41.1	23.6	64.7	40,580	22,901	le	1,013.19	1,028.60	23.6	13.3	36.9
Partial and Private Circuits 2Mbps Links	8.1	7.5	15.6	19,455	18,814	links	417.45	401.10	3.6	3.5	7.1
Partial and Private Circuits 2Mbps Terminating segments	25.3	27.1	52.4	375,644	387,511	km	67.28	70.02	17.8	19.4	37.2
Partial and Private Circuits Other	2.0	4.3	6.3	(ux)	(ux)	(ux)	(sx)	(sx)	0.3	10.6	10.9
TI All Services Sub-Cap	94.2	69.0	163.2						75.4	59.8	135.2
TI Services Basket	103.9	96.7	200.6						84.3	84.4	168.7
TI Excess Construction Charges*	0.1	0.4	0.5								
ECC Asset Depreciation**	–	–	–								
Rounding	0.3	(0.1)	0.2								
Total Low Bandwidth TISBO	104.3	97.0	201.3								

Notes

* Estimated matched cost of £0.1m (Internal) and £0.4m (External). These are capital costs and therefore not included in the market total of operating costs.

** Estimated depreciation on equipment of £3.2m

Section 8 – Review of Business Connectivity Markets

Low Bandwidth TISBO calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	Radio Backhaul Services 64Kbps Connections		Radio Backhaul Services 64Kbps Rentals		Radio Backhaul Services 2Mbps Connections		Radio Backhaul Services 2Mbps Rentals		Other Mobile Services	Partial and Private Circuits Point of Handover	Partial and Private Circuits 64Kbps Connections	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal %	External %	Internal £	External £	Internal %	External %	Internal %	External £	Internal %	External %
Components	Unit (a)													
E side copper capital	£/line	6.53	–	–	–	0.3%	–	–	–	0.0%	0.0%	–	–	–
E side copper current	£/line	3.42	–	–	–	0.0%	–	–	–	0.0%	0.0%	–	–	–
D side copper capital	£/line	33.23	–	–	–	1.3%	–	–	–	0.2%	0.0%	–	–	–
D side copper current	£/line	8.39	–	–	–	0.0%	–	–	–	0.0%	0.0%	–	–	–
Local exchanges general frames equipment	£/line	0.96	–	–	–	0.0%	–	–	–	0.0%	0.0%	–	–	–
PC rental 2Mbps link per km distribution	£/km	50.97	–	–	–	–	–	–	49.0%	46.2%	56.4%	–	–	–
Point of Handover electronics	£/eq	2,336.49	–	–	–	–	–	–	–	–	–	–	–	–
PC rental 64Kbps link	£/link	147.40	–	–	26.0%	25.6%	–	–	–	–	–	–	–	–
PC rental 2Mbps link	£/link	165.35	–	–	–	–	–	–	9.3%	8.8%	5.0%	–	–	–
PC rental 64Kbps link per km transmission	£/km	6.90	–	–	41.9%	41.2%	–	–	–	–	–	–	–	–
2Mbps and above PC link connection cct provision	£/circuit	8,520.96	–	–	–	–	8,520.96	8,520.96	–	–	1.8%	–	–	–
64Kbps PC link connection cct provision	£/circuit	2,610.35	1,660.86	1,660.86	–	–	–	–	–	–	–	–	98.0%	99.9%
PC rental 64Kbps link local end	£/le	1,295.29	–	–	7.8%	7.6%	–	–	–	–	–	31.23	–	–
PC rental 2Mbps local end copper	£/le	310.94	–	–	6.5%	6.4%	–	–	1.1%	1.0%	0.2%	6.42	–	–
PC rental 2Mbps local end fibre	£/le	551.12	–	–	11.9%	11.7%	–	–	30.9%	29.2%	16.6%	69.02	–	–
PC Rentals 2Mbps regional trunk	£/km	26.43	–	–	–	–	–	–	1.8%	6.0%	12.4%	–	–	–
PC rental 2Mbps link per km national trunk	£/km	12.99	–	–	–	–	–	–	0.5%	1.6%	3.8%	–	–	–
Customer support – partial private circuits	%	£12m	22.50	22.50	5.2%	5.1%	92.50	92.50	6.4%	6.1%	3.3%	2.12	1.7%	0.1%
Ofcom Administration Fee – Wholesale	%	£1m	0.26	0.26	0.1%	0.1%	1.05	1.05	0.1%	0.1%	0.0%	0.02	0.0%	0.0%
TISBO Excess Construction	%	£9m	–	–	–	–	–	–	–	–	–	–	–	–
Low TISBO 3rd party equipment depn	%	£4m	–	–	–	–	–	–	–	–	–	–	–	–
Revenue Receivables	%	£47m	3.28	3.28	0.8%	0.7%	13.49	13.49	0.9%	0.9%	0.5%	0.31	0.2%	0.0%
Rounding		–	–	–	(0.2)%	–	(0.01)	(0.01)	–	(0.1)%	–	0.01	0.1%	–
Fully Allocated Cost (£ or %)			1,686.90	1,686.90	100.0%	100.0%	8,627.99	8,627.99	100.0%	100.0%	100.0%	109.13	100.0%	100.0%
	Volume (units)		25	91	(ux)	(ux)	15	55	(ux)	(ux)	(ux)	27,170	(ux)	(ux)
	Fully Allocated Cost (£m)		0.0	0.2	1.4	5.3	0.1	0.5	4.1	15.6	3.3	3.0	0.1	0.1

Section 8 – Review of Business Connectivity Markets

Low Bandwidth TISBO calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	Partial and Private Circuits 64Kbps Local Ends		Partial and Private Circuits 64Kbps Links		Partial and Private Circuits 64Kbps Terminating segments		Partial and Private Circuits 2Mbps Connections		Partial and Private Circuits 2Mbps Local Ends		Partial and Private Circuits 2Mbps Links		Partial and Private Circuits 2Mbps Terminating segments		Partial and Private Circuits Other	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %
Components	Unit (a)																	
E side copper capital	£/line	6.53	6.53	6.53	-	-	-	-	-	-	1.40	1.55	-	-	-	-	0.1%	-
E side copper current	£/line	3.42	2.84	2.84	-	-	-	-	-	-	0.02	0.02	-	-	-	-	0.0%	-
D side copper capital	£/line	33.23	33.23	33.23	-	-	-	-	-	-	7.11	7.88	-	-	-	-	0.4%	-
D side copper current	£/line	8.39	6.96	6.96	-	-	-	-	-	-	0.05	0.06	-	-	-	-	0.0%	-
Local exchanges general frames equipment	£/line	0.96	0.96	0.96	-	-	-	-	-	-	0.21	0.23	-	-	-	-	0.0%	-
PC rental 2Mbps link per km distribution	£/km	50.97	-	-	-	-	-	-	-	-	-	-	-	-	36.69	42.09	29.3%	4.1%
Point of Handover electronics	£/eq	2,336.49	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	55.9%
PC rental 64Kbps link	£/link	147.40	-	-	147.40	147.40	-	-	-	-	-	-	-	-	-	-	-	-
PC rental 2Mbps link	£/link	165.35	-	-	-	-	-	-	-	-	-	-	164.15	164.15	-	-	3.3%	0.5%
PC rental 64Kbps link per km transmission	£/km	6.90	-	-	-	-	6.90	6.90	-	-	-	-	-	-	-	-	-	-
2Mbps and above PC link connection cct provision	£/circuit	8,520.96	-	-	-	-	-	-	8,520.96	8,520.96	-	-	-	-	-	-	-	-
64Kbps PC link connection cct provision	£/circuit	2,610.35	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PC rental 64Kbps link local end	£/le	1,295.29	1,295.29	1,295.29	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PC rental 2Mbps local end copper	£/le	310.94	-	-	-	-	-	-	-	-	40.44	44.82	-	-	-	-	2.6%	-
PC rental 2Mbps local end fibre	£/le	551.12	-	-	-	-	-	-	-	-	479.45	471.68	-	-	-	-	22.0%	2.2%
PC Rentals 2Mbps regional trunk	£/km	26.43	-	-	-	-	-	-	-	-	-	-	-	-	7.18	4.35	8.1%	1.5%
PC rental 2Mbps link per km national trunk	£/km	12.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Customer support – partial private circuits	%	£12m	34.44	34.44	7.34	7.36	0.14	0.14	102.09	102.09	46.65	47.36	19.22	18.47	3.10	3.22	29.6%	1.9%
Ofcom Administration Fee – Wholesale	%	£1m	0.39	0.39	0.08	0.08	0.00	0.00	1.16	1.16	0.53	0.54	0.22	0.21	0.04	0.04	0.3%	0.0%
TISBO Excess Construction	%	£9m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Low TISBO 3rd party equipment depn	%	£4m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.7%
Revenue Receivables	%	£47m	5.02	5.02	1.07	1.07	0.02	0.02	14.88	14.88	6.80	6.90	2.80	2.69	0.45	0.47	4.3%	0.3%
Rounding			-	-	0.01	0.01	-	-	-	-	-	-	-	-	-	-	-	(0.1)%
Fully Allocated Cost (£ or %)			1,385.66	1,385.66	155.90	155.92	7.06	7.06	8,639.09	8,639.09	582.66	581.04	186.39	185.52	47.46	50.17	100.0%	100.0%
Volume (units)			12,473	3,853	36,513	10,781	745,824	305,847	192	431	40,580	22,901	19,455	18,814	375,644	387,511	(ux)	(ux)
Fully Allocated Cost (£m)			17.3	5.3	5.7	1.7	5.3	2.2	1.7	3.7	23.6	13.3	3.6	3.5	17.8	19.4	0.3	10.6

Section 9 Review of Narrowband Markets

Section 9 – Review of Narrowband Markets

9.1 WFAEL Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
Analogue WLR Basic Rentals	921.1	177.3	1,098.4	10,621,116	2,044,791	lines	86.72	86.72	856.3	164.9	1,021.2
WLR Connections	16.6	7.2	23.8	426,271	170,829	conns	38.91	42.37	11.1	4.2	15.3
WLR Transfers	12.5	4.0	16.5	1,417,581	432,217	transfer	8.80	9.26	12.4	3.8	16.2
WLR Conversions	12.5	2.0	14.5	412,458	67,043	conns	30.26	30.26	10.9	1.8	12.7
Analogue Premium Rentals	183.6	147.1	330.7	1,610,435	1,290,038	lines	114.00	114.00	134.3	107.6	241.9
WLR Premium Connections	2.3	3.4	5.7	60,922	88,091	conns	38.41	38.41	1.5	2.1	3.6
WLR Premium Transfers	0.4	0.6	1.0	36,959	72,226	transfer	10.80	8.53	0.4	0.8	1.2
Caller Display	1.7	0.3	2.0	3,733,972	636,835	rentals	0.45	0.45	2.0	0.3	2.3
Time Related Charges	33.5	10.0	43.5	(ux)	(ux)	(ux)	(sx)	(sx)	29.3	8.7	38.0
Other WLR	90.1	17.8	107.9	(ux)	(ux)	(ux)	(sx)	(sx)	48.6	5.2	53.8
Rounding	(0.1)	–	(0.1)						0.1	–	0.1
Total WFAEL	1,274.2	369.7	1,643.9						1,106.9	299.4	1,406.3

Section 9 – Review of Narrowband Markets

WFAEL calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

Fully Allocated Cost (£ or %)	Average cost per unit (from Appendix 1.1)	Analogue WLR Basic Rentals		WLR Connections		WLR Transfers		WLR Conversions		Analogue Premium Rentals		WLR Premium Connections		WLR Premium Transfers		Caller Display		Time Related Charges		Other WLR	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %
Components	Unit (a)																				
Wholesale Access specific	£/trans	0.93	-	-	0.27	1.02	0.93	0.93	-	-	-	0.93	0.93	0.93	0.93	-	-	-	-	0.9%	0.9%
Routing & Records	£/line	2.39	-	-	2.39	2.39	-	2.39	2.39	-	-	2.39	2.39	2.39	2.39	-	-	-	-	1.7%	1.7%
MDF Hardware jumpering	£/line	12.51	-	-	15.66	13.35	-	-	16.48	16.48	-	12.51	12.51	-	-	-	-	-	-	12.1%	11.9%
E side copper capital	£/line	6.83	6.84	6.84	-	-	-	-	-	6.84	6.84	-	-	-	-	-	-	-	-	-	-
E side copper current	£/line	3.49	2.90	2.90	-	-	-	-	-	3.51	3.51	-	-	-	-	-	-	-	-	12.8%	4.8%
D side copper capital	£/line	34.38	34.39	34.39	-	-	-	-	-	34.39	34.39	-	-	-	-	-	-	-	-	-	-
D side copper current	£/line	8.50	7.05	7.05	-	-	-	-	-	8.54	8.54	-	-	-	-	-	-	-	-	31.2%	11.6%
Local exchanges general frames equipment	£/line	0.95	0.95	0.95	-	-	-	-	-	0.95	0.95	-	-	-	-	-	-	-	-	-	-
Local exchanges general frames maintenance	£/line	1.16	0.96	0.96	-	-	-	-	-	1.16	1.16	-	-	-	-	-	-	-	-	4.3%	1.6%
Analogue line test equipment	£/line	0.12	0.12	0.12	-	-	-	-	-	0.12	0.12	-	-	-	-	-	-	-	-	-	-
Dropwire capital & analogue NTE	£/line	16.00	16.00	16.00	-	-	-	-	-	16.00	16.00	-	-	-	-	-	-	-	-	-	-
Analogue line drop maintenance	£/line	1.78	1.48	1.48	-	-	-	-	-	1.79	1.79	-	-	-	-	-	-	-	-	6.5%	2.4%
Abortive Visits	£/trans	63.88	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.7%	39.2%
Analogue line cards	£/line	8.31	8.31	8.31	-	-	-	-	-	8.31	8.31	-	-	-	-	-	-	-	-	-	-
Pair gain	£/line	0.00	0.00	0.00	-	-	-	-	-	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Combi card voice	£/line	0.00	0.00	0.00	-	-	-	-	-	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Expedite Provision Costs	£/line	86.72	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.2%	2.4%
Local Loop Unbundling systems development	%	£2m	-	-	0.07	0.02	-	-	0.09	0.09	-	-	-	-	-	-	-	-	-	0.1%	0.1%
iNode features	%	£1m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.0%	2.1%
Regulated time related charges	%	£63m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98.7%	98.7%	-	-
OR Project Services	%	£14m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.5%	5.1%
Caller Display	%	£2m	-	-	-	-	-	-	-	-	-	-	-	-	-	0.54	0.54	-	-	-	-
Network Features	%	£4m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.6%	7.6%
Ofcom Administration Fee – Openreach	%	£3m	0.05	0.05	0.02	0.02	0.00	0.00	0.02	0.02	0.06	0.06	0.02	0.02	0.01	0.00	0.00	0.1%	0.1%	0.1%	0.2%
Openreach sales product management	%	£16m	0.07	0.07	0.03	0.03	0.01	0.01	0.02	0.02	0.09	0.09	0.03	0.03	0.01	0.01	0.00	0.5%	0.5%	0.8%	1.3%
OR Service Centre – Provision Analogue/ISDN2	%	£17m	-	-	4.73	4.73	4.73	4.73	4.73	4.73	-	-	4.73	4.73	4.73	4.73	-	-	-	3.4%	3.3%
OR Service Centre – Assurance Analogue/ISDN2	%	£10m	0.63	0.63	-	-	-	-	-	0.63	0.63	-	-	-	-	-	-	-	-	-	-
SLG WLR Provision	%	£10m	-	-	2.64	2.64	2.64	2.64	2.64	2.64	-	2.64	2.64	2.64	2.64	-	-	-	-	1.9%	1.8%
SLG WLR Assurance	%	£6m	0.37	0.37	-	-	-	-	-	0.37	0.37	-	-	-	-	-	-	-	-	-	-
Revenue Receivables	%	£44m	0.50	0.50	0.23	0.25	0.05	0.05	0.18	0.18	0.66	0.66	0.22	0.22	0.06	0.05	0.00	0.7%	0.7%	1.2%	2.2%
Rounding		-	-	(0.01)	-	-	-	-	-	-	-	-	-	(0.01)	-	0.01	0.01	-	-	-	(0.2)%
Fully Allocated Cost (£ or %)		80.62	80.62	26.03	24.45	8.36	8.36	26.55	26.55	83.42	83.42	23.47	23.47	10.76	10.75	0.55	0.55	100.0%	100.0%	100.0%	100.0%
	Volume (units)	10,621,116	2,044,791	426,271	170,829	1,417,581	432,217	412,458	67,043	1,610,435	1,290,038	60,922	88,091	36,959	72,226	3,733,972	636,835	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)	856.3	164.9	11.1	4.2	12.4	3.8	10.9	1.8	134.3	107.6	1.5	2.1	0.4	0.8	2.0	0.3	29.3	8.7	48.6	5.2

Section 9 – Review of Narrowband Markets

WFAEL Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
Analogue WLR Basic Rentals	906.7	165.7	1,072.4	10,455,663	1,911,054	lines	86.72	86.72	812.5	148.5	961.0
WLR Connections	18.9	5.6	24.5	493,470	130,494	conns	38.27	43.20	13.8	3.4	17.2
WLR Transfers	8.6	3.7	12.3	955,760	389,639	transfer	9.04	9.53	11.3	4.6	15.9
WLR Conversions	14.5	1.1	15.6	478,524	36,905	conns	30.26	30.26	13.8	1.1	14.9
Analogue Premium Rentals	241.8	157.6	399.4	2,121,418	1,381,464	lines	114.00	114.00	170.8	111.2	282.0
WLR Premium Connections	3.3	3.9	7.2	85,482	102,175	conns	38.41	38.42	2.2	2.6	4.8
WLR Premium Transfers	0.4	1.1	1.5	53,001	132,325	transfer	7.36	8.49	0.8	1.9	2.7
Caller Display	1.5	0.4	1.9	3,269,548	864,353	rentals	0.45	0.45	1.8	0.5	2.3
Time Related Charges	35.7	9.8	45.5	(ux)	(ux)	(ux)	(sx)	(sx)	26.7	7.3	34.0
Other WLR	80.5	17.4	97.9	(ux)	(ux)	(ux)	(sx)	(sx)	40.7	4.9	45.6
Rounding	–	0.1	0.1						(0.1)	–	(0.1)
Total WFAEL	1,311.9	366.4	1,678.3						1,094.3	286.0	1,380.3

Section 9 – Review of Narrowband Markets

WFAEL calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

Fully Allocated Cost (£ or %)	Average cost per unit (from Appendix 1.2)	Analogue WLR Basic Rentals		WLR Connections		WLR Transfers		WLR Conversions		Analogue Premium Rentals		WLR Premium Connections		WLR Premium Transfers		Caller Display		Time Related Charges		Other WLR	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %
Components	Unit (a)																				
Wholesale Access specific	£/trans	1.32	-	-	0.32	1.08	1.32	1.32	-	-	-	1.32	1.32	1.32	1.32	-	-	-	-	1.2%	1.1%
Routing & Records	£/line	2.64	-	-	2.64	2.64	-	2.64	2.64	-	-	2.64	2.64	2.64	2.64	-	-	-	-	2.3%	2.2%
MDF Hardware jumpering	£/line	10.67	-	-	14.17	11.50	-	-	15.29	15.29	-	10.67	10.67	-	-	-	-	-	-	11.9%	12.0%
E side copper capital	£/line	6.53	6.51	6.51	-	-	-	-	-	6.51	6.51	-	-	-	-	-	-	-	-	-	-
E side copper current	£/line	3.42	2.84	2.84	-	-	-	-	-	3.43	3.43	-	-	-	-	-	-	-	-	11.3%	4.3%
D side copper capital	£/line	33.23	33.16	33.16	-	-	-	-	-	33.16	33.16	-	-	-	-	-	-	-	-	-	-
D side copper current	£/line	8.39	6.96	6.96	-	-	-	-	-	8.42	8.42	-	-	-	-	-	-	-	-	27.6%	10.5%
Local exchanges general frames equipment	£/line	0.96	0.96	0.96	-	-	-	-	-	0.96	0.96	-	-	-	-	-	-	-	-	-	-
Local exchanges general frames maintenance	£/line	1.12	0.93	0.93	-	-	-	-	-	1.12	1.12	-	-	-	-	-	-	-	-	3.7%	1.4%
Analogue line test equipment	£/line	0.13	0.13	0.13	-	-	-	-	-	0.13	0.13	-	-	-	-	-	-	-	-	-	-
Dropwire capital & analogue NTE	£/line	15.19	15.19	15.19	-	-	-	-	-	15.19	15.19	-	-	-	-	-	-	-	-	-	-
Analogue line drop maintenance	£/line	1.88	1.56	1.56	-	-	-	-	-	1.89	1.89	-	-	-	-	-	-	-	-	6.2%	2.4%
Abortive Visits	£/trans	52.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.5%	34.3%
Analogue line cards	£/line	7.74	7.74	7.74	-	-	-	-	-	7.74	7.74	-	-	-	-	-	-	-	-	-	-
Pair gain	£/line	0.01	0.01	0.01	-	-	-	-	-	0.01	0.01	-	-	-	-	-	-	-	-	-	-
Combi card voice	£/line	0.00	0.00	0.00	-	-	-	-	-	0.00	0.00	-	-	-	-	-	-	-	-	-	-
Expedite Provision Costs	£/line	83.24	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.9%	3.5%
Local Loop Unbundling systems development	%	£4m	-	-	0.11	0.03	-	-	0.15	0.15	-	-	-	-	-	-	-	-	-	0.1%	0.1%
iNode features	%	£2m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.1%	4.5%
Regulated time related charges	%	£61m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	98.5%	98.5%	-	-
OR Project Services	%	£10m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.2%	4.0%
Caller Display	%	£2m	-	-	-	-	-	-	-	-	-	-	-	-	-	0.55	0.55	-	-	-	-
Network Features	%	£3m	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.3%	7.0%
Ofcom Administration Fee – Openreach	%	£3m	0.05	0.05	0.02	0.02	0.01	0.01	0.02	0.02	0.06	0.06	0.02	0.02	0.00	0.00	0.00	0.1%	0.1%	0.1%	0.2%
Openreach sales product management	%	£22m	0.15	0.15	0.07	0.07	0.02	0.02	0.05	0.05	0.20	0.20	0.07	0.07	0.01	0.01	0.00	0.6%	0.6%	0.9%	1.6%
OR Service Centre – Provision Analogue/ISDN2	%	£24m	-	-	7.22	7.22	7.22	7.22	7.22	7.22	-	-	7.22	7.22	7.22	7.22	-	-	-	6.4%	6.0%
OR Service Centre – Assurance Analogue/ISDN2	%	£8m	0.48	0.48	-	-	-	-	-	0.48	0.48	-	-	-	-	-	-	-	-	-	-
SLG WLR Provision	%	£11m	-	-	3.22	3.22	3.22	3.22	3.22	3.22	-	-	3.22	3.22	3.22	3.22	-	-	-	2.9%	2.7%
SLG WLR Assurance	%	£9m	0.52	0.52	-	-	-	-	-	0.52	0.52	-	-	-	-	-	-	-	-	-	-
Revenue Receivables	%	£47m	0.52	0.52	0.23	0.26	0.05	0.06	0.18	0.18	0.69	0.69	0.23	0.23	0.04	0.05	0.00	0.8%	0.8%	1.3%	2.4%
Rounding		-	-	-	-	-	(0.01)	(0.02)	-	-	0.01	0.01	(0.01)	(0.01)	-	-	-	-	-	0.1%	(0.2)%
Fully Allocated Cost (£ or %)		77.71	77.71	28.00	26.04	11.83	11.83	28.77	28.77	80.52	80.52	25.38	25.38	14.45	14.46	0.55	0.55	100.0%	100.0%	100.0%	100.0%
	Volume (units)	10,455,663	1,911,054	493,470	130,494	955,760	389,639	478,524	36,905	2,121,418	1,381,464	85,482	102,175	53,001	132,325	3,269,548	864,353	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)	812.5	148.5	13.8	3.4	11.3	4.6	13.8	1.1	170.8	111.2	2.2	2.6	0.8	1.9	1.8	0.5	26.7	7.3	40.7	4.9

Section 9 – Review of Narrowband Markets

9.2 ISDN2 Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £
Service								
ISDN2 Rentals	30.0	50.7	80.7	283,164	478,296	channels	105.96	105.96
ISDN2 Connections	1.0	1.0	2.0	16,203	14,267	channels	59.96	68.67
ISDN2 Transfers	0.0	0.2	0.2	917	23,969	channels	4.50	9.01
Other ISDN2	2.3	2.9	5.2	(ux)	(ux)	(ux)	(sx)	(sx)
Rounding	–	–	–					
Total ISDN2	33.3	54.8	88.1					

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £
Service								
ISDN2 Rentals	35.5	56.2	91.7	337,216	530,301	channels	105.37	105.96
ISDN2 Connections	1.1	0.7	1.8	18,532	8,826	channels	60.00	74.92
ISDN2 Transfers	0.0	1.1	1.1	441	43,815	channels	5.89	24.03
Other ISDN2	0.3	3.3	3.6	(ux)	(ux)	(ux)	(sx)	(sx)
Rounding	0.1	(0.1)	–					
Total ISDN2	37.0	61.2	98.2					

Section 9 – Review of Narrowband Markets

9.3 ISDN30 Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £
Service								
ISDN30 Rentals	68.6	78.6	147.2	578,268	661,819	channels	118.56	118.83
ISDN30 Channel Connections	0.1	0.1	0.2	28,643	20,750	channels	3.50	3.50
ISDN30 Line Connections	0.9	0.6	1.5	1,182	733	line	755.00	755.00
ISDN30 SML 3 and 4	1.6	4.3	5.9	85,697	233,649	rentals	18.71	18.23
ISDN30 Transfers	0.0	0.3	0.3	882	52,802	channels	4.53	5.10
ISDN30 Direct Dialling – Rentals	5.9	4.1	10.0	6,094,270	3,949,890	rentals	0.96	1.05
ISDN30 Direct Dialling – Planning	–	0.1	0.1	–	1,139	misc	–	81.57
ISDN30 Direct Dialling – Connections	0.0	0.1	0.1	6	127,241	conns	0.81	0.81
Other ISDN30	0.2	0.1	0.3	(ux)	(ux)	(ux)	(sx)	(sx)
Rounding	(0.1)	(0.1)	(0.2)					
Total ISDN30	77.2	88.2	165.4					

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £
Service								
ISDN30 Rentals	78.8	89.0	167.8	664,757	748,329	channels	118.56	118.98
ISDN30 Channel Connections	0.1	0.1	0.2	35,247	32,129	channels	3.50	3.50
ISDN30 Line Connections	1.3	0.9	2.2	1,744	1,215	line	755.00	755.00
ISDN30 SML 3 and 4	0.9	4.6	5.5	51,471	256,366	rentals	18.02	18.07
ISDN30 Transfers	0.0	0.4	0.4	530	87,798	channels	4.55	4.41
ISDN30 Direct Dialling – Rentals	7.7	4.6	12.3	6,448,947	4,317,804	rentals	1.19	1.06
ISDN30 Direct Dialling – Planning	–	0.1	0.1	–	1,633	misc	–	81.55
ISDN30 Direct Dialling – Connections	–	0.1	0.1	–	159,172	conns	–	0.81
Other ISDN30	0.2	0.1	0.3	(ux)	(ux)	(ux)	(sx)	(sx)
Rounding	–	0.1	0.1					
Total ISDN30	89.0	100.0	189.0					

Section 9 – Review of Narrowband Markets

9.4 Fixed Geographic Call Termination Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue	External Revenue	Total Revenue	Internal NCC traffic – millions of minutes (mm)				External NCC traffic – millions of minutes (mm)				Internal Average NCC rates – pence per minute (ppm)				External Average NCC rates – pence per minute (ppm)			
	£m	£m	£m	Day	Evening	Weekend	24 hours	Day	Evening	Weekend	24 hours	Day	Evening	Weekend	Weighted Average	Day	Evening	Weekend	Weighted Average
Service																			
Wholesale fixed geographical call termination local exchange	3.7	7.4	11.1	6,958	1,814	2,426	11,198	13,939	3,790	3,626	21,355	0.0431	0.0196	0.0156	0.0333	0.0439	0.0201	0.0158	0.0349
Total Fixed Geographic Call Termination	3.7	7.4	11.1																

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue	External Revenue	Total Revenue	Internal NCC traffic – millions of minutes (mm)				External NCC traffic – millions of minutes (mm)				Internal Average NCC rates – pence per minute (ppm)				External Average NCC rates – pence per minute (ppm)			
	£m	£m	£m	Day	Evening	Weekend	24 hours	Day	Evening	Weekend	24 hours	Day	Evening	Weekend	Weighted Average	Day	Evening	Weekend	Weighted Average
Service																			
Wholesale fixed geographical call termination local exchange	4.4	8.2	12.6	8,266	2,353	2,861	13,480	15,753	4,410	4,018	24,181	0.0418	0.0194	0.0154	0.0323	0.0429	0.0196	0.0155	0.0341
Total Fixed Geographic Call Termination	4.4	8.2	12.6																

Section 9 – Review of Narrowband Markets

9.5 Technical Areas (DLE Interconnect Circuits) Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Internal Average Price £	External Average Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
Wholesale IEC Connections	–	0.3	0.3	–	324	circuits	–	1,003.19	–	0.5	0.5
Wholesale IEC Rentals – fixed	–	2.2	2.2	–	3,458	circuits	–	627.28	–	0.9	0.9
Wholesale IEC Rentals – per km	–	1.5	1.5	–	70,535	km	–	21.60	–	2.2	2.2
Wholesale Intra-Building Circuits Connections	–	0.2	0.2	–	198	circuits	–	834.95	–	0.0	0.0
Wholesale Intra-Building Circuit Rentals	–	1.5	1.5	–	14,426	circuits	–	104.23	–	1.4	1.4
Wholesale Rearrangements	–	0.2	0.2	–	335	circuits	–	471.31	–	1.3	1.3
Rounding	–	(0.1)	(0.1)						–	(0.1)	(0.1)
Total Technical Areas (DLE Interconnect Circuits)	–	5.8	5.8						–	6.2	6.2

Section 9 – Review of Narrowband Markets

Technical Areas (DLE Interconnect Circuits) calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

Fully Allocated Cost (£ or %)		Average cost per unit (from Appendix 1.1)	In Span Interconnect with Interconnect Extension Circuit (end to end circuit)			In span Interconnect		
			Wholesale IEC Connections	Wholesale IEC Rentals – fixed	Wholesale IEC Rentals – per km	Wholesale Intra-Building Circuit Connections	Wholesale Intra-Building Circuit Rentals	Wholesale Rearrangements
			External £	External £	External £	External £	External £	External £
Components		Unit (a)						
Interconnect 2Mbps connection		£/circuit	5,254.22	1,330.47	–	–	–	3,727.36
Interconnect extension circuits (IEC) 2Mbps link		£/circuit	118.15	–	121.60	–	–	–
Interconnect Extension Circuits (IEC) 2Mbps per km		£/km	27.85	–	–	28.67	–	–
Intra Building Circuit (IBC) connection		£/circuit	0.54	0.56	–	–	0.56	–
Intra Building Circuit (IBC) rental		£/circuit	83.17	–	85.60	–	–	85.60
Customer support – interconnect		%	£2m	89.09	55.71	1.92	74.15	9.26
Ofcom Administration Fee – Wholesale		%	£1m	0.47	0.30	0.01	0.39	0.05
Revenue Receivables		%	£44m	6.46	4.04	0.14	5.38	0.67
Rounding				–	–	–	–	–
Fully Allocated Cost (£ or %)				1,427.05	267.25	30.74	80.48	95.58
		Volume (units)		324	3,458	70,535	198	14,426
		Fully Allocated Cost (£m)		0.5	0.9	2.2	0.0	1.4
				</				

Section 9 – Review of Narrowband Markets

Technical Areas (DLE Interconnect Circuits) Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Internal Average Price £	External Average Price £	Internal FAC £m	External FAC £m	Total FAC £m
Service											
Wholesale IEC Connections	–	0.1	0.1	–	61	circuits	–	1,003.19	–	0.1	0.1
Wholesale IEC Rentals – fixed	–	2.3	2.3	–	3,592	circuits	–	627.28	–	1.1	1.1
Wholesale IEC Rentals – per km	–	1.7	1.7	–	76,589	km	–	21.60	–	2.5	2.5
Wholesale Intra-Building Circuits Connections	–	0.3	0.3	–	372	circuits	–	834.95	–	0.0	0.0
Wholesale Intra-Building Circuit Rentals	–	1.6	1.6	–	15,150	circuits	–	104.23	–	1.9	1.9
Wholesale Rearrangements	–	0.2	0.2	–	422	circuits	–	471.31	–	1.3	1.3
Rounding	–	(0.1)	(0.1)						–	–	–
Total Technical Areas (DLE Interconnect Circuits)	–	6.1	6.1						–	6.9	6.9

Section 9 – Review of Narrowband Markets

Technical Areas (DLE Interconnect Circuits) calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

Fully Allocated Cost (£ or %)		Average cost per unit (from Appendix 1.2)	In Span Interconnect with Interconnect Extension Circuit (end to end circuit)			In span Interconnect		
			Wholesale IEC Connections	Wholesale IEC Rentals – fixed	Wholesale IEC Rentals – per km	Wholesale Intra-Building Circuit Connections	Wholesale Intra-Building Circuit Rentals	Wholesale Rearrangements
			External £	External £	External £	External £	External £	External £
Components		Unit (a)						
Interconnect 2Mbps connection		£/circuit	4,427.31	1,048.63	–	–	–	2,936.48
Interconnect extension circuits (IEC) 2Mbps link		£/circuit	131.08	–	134.91	–	–	–
Interconnect Extension Circuits (IEC) 2Mbps per km		£/km	28.90	–	–	29.74	–	–
Intra Building Circuit (IBC) connection		£/circuit	2.48	2.55	–	–	2.55	–
Intra Building Circuit (IBC) rental		£/circuit	111.71	–	114.97	–	–	114.97
Customer support – interconnect		%	£3m	103.89	64.96	2.24	86.46	10.79
Ofcom Administration Fee – Wholesale		%	£1m	0.52	0.33	0.01	0.44	0.05
Revenue Receivables		%	£47m	6.73	4.21	0.14	5.60	0.70
Rounding				0.01	–	0.01	–	0.01
Fully Allocated Cost (£ or %)				1,162.33	319.38	32.14	95.05	126.52
		Volume (units)		61	3,592	76,589	372	15,150
		Fully Allocated Cost (£m)		0.1	1.1	2.5	0.0	1.9

Section 10
Review of Wholesale Broadband Access Markets

Section 10 – Review of Wholesale Broadband Access Markets

10.1 WBA (Market A) Summary

For the year ended 31 March 2018

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m	Internal EOI £m	External EOI £m
IPstream Services													
IPstream Connect Max and Max Premium End User Access – Rental	17.0	4.2	21.2	288,478	67,600	rentals	58.80	61.99	24.0	5.7	29.7	4.7	1.1
IPstream Connect Contracted Bandwidth per Mbps per node rental	51.7	4.8	56.5	1,292,902	119,481	bandwidth	40.00	40.00	65.6	6.7	72.3	–	–
IPstream Connect End User Re-grade	0.1	0.0	0.1	12,517	2,849	re-grades	4.24	4.24	0.3	0.1	0.4	0.3	0.1
IPstream Connect End User Migration	0.0	0.0	0.0	1,444	4,801	migrations	9.41	9.41	0.1	0.2	0.3	0.1	0.2
IPstream Connect ADSL Cancellation	0.0	0.0	0.0	54	16	cancellations	60.55	60.55	0.0	0.0	0.0	0.0	0.0
Other IPstream Connect Market	6.8	1.7	8.5	(ux)	(ux)	(ux)	(sx)	(sx)	1.8	0.3	2.1	1.2	0.2
Total IPstream Connect Basket	75.6	10.7	86.3						91.8	13.0	104.8	6.3	1.6
Cease Basket	–	–	–	280,004	21,102	ceases	–	–	1.5	0.1	1.6	1.5	0.1
WBC Services													
WBC Connections	6.1	0.0	6.1	139,489	303	conns	43.94	45.19	5.2	0.0	5.2	5.1	0.0
WBC End User Access – Rental	79.0	0.3	79.3	881,632	3,897	rentals	89.66	89.21	63.0	0.3	63.3	23.8	0.1
WBC Bandwidth	238.3	0.5	238.8	5,957,492	12,903	bandwidth	40.00	40.00	23.4	0.0	23.4	7.2	0.0
WBC Ancillary Charges & other	0.8	0.3	1.1	(ux)	(ux)	(ux)	(sx)	(sx)	6.7	1.2	7.9	6.7	1.2
Sub-total WBC Services	324.2	1.1	325.3						98.3	1.5	99.8	42.8	1.3
Other WBA (Market A)	1.8	11.5	13.3	(ux)	(ux)	(ux)	(sx)	(sx)	5.1	0.5	5.6	5.1	0.3
Total WBA (Market A) (including EOI and Internal)	401.6	23.3	424.9						196.7	15.1	211.8	55.7	3.3
Adjustment for EOI and Internal	(55.7)	(3.3)	(59.0)						(55.7)	(3.3)	(59.0)		
Rounding	–	0.3	0.3						(0.1)	–	(0.1)		
Total WBA (Market A) (adjusted for EOI and Internal)	345.9	20.3	366.2						140.9	11.8	152.7		

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) calculation of FAC based on component costs and usage factors

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	IPstream Connect Max and Max Premium End User Access – Rental		IPstream Connect Contract Bandwidth per Mbps per node rental		IPstream Connect End User Re-grade		IPstream Connect End User Migration		IPstream Connect ADSL Cancellation		Other IPstream Connect Market	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %
Components	Unit (a)													
ADSL connections	£/conn	0.04	–	–	–	–	–	–	–	–	–	–	0.1%	0.1%
Broadband line testing systems	£/line	0.14	0.14	0.14	–	–	–	–	–	–	–	–	0.0%	0.1%
DSLAM support	£/line	14.52	64.43	65.51	1.60	4.13	–	–	–	–	–	–	25.7%	33.8%
DSLAM equipment	£/line	0.61	1.57	1.60	0.34	0.87	–	–	–	–	–	–	0.6%	0.8%
Core Directors	£/circuit	0.59	–	–	0.58	0.57	–	–	–	–	–	–	–	–
ATM customer interface 34Mbps	£/port	10.18	–	–	0.00	0.00	–	–	–	–	–	–	–	–
ATM customer interface > 155Mbps	£/port	3.54	–	–	0.03	0.07	–	–	–	–	–	–	–	–
ATM network interface	£/port	33.59	–	–	0.02	0.04	–	–	–	–	–	–	–	–
ATM network switching	bandwidth	69.59	–	–	0.10	0.21	–	–	–	–	–	–	–	–
Inter ATM transmissions	£/use	2,698.76	–	–	1.79	3.65	–	–	–	–	–	–	–	–
Broadband backhaul circuits (excl Virtual Paths)	%	£68m	–	–	45.60	45.69	–	–	–	–	–	–	–	–
Core/Metro (broadband)	£/circuit	0.52	–	–	–	–	–	–	–	–	–	–	–	–
Edge Ethernet ports broadband	bandwidth	0.01	–	–	–	–	–	–	–	–	–	–	–	–
Metro BRAS and MSE	bandwidth	0.73	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Switch BB	£/circuit	0.61	–	–	–	–	–	–	–	–	–	–	–	–
Metro-core broadband transmission	£/circuit	0.17	–	–	–	–	–	–	–	–	–	–	–	–
Combi card broadband access	£/line	13.36	–	–	–	–	–	–	–	–	–	–	–	–
MSAN Access – SFBB	£/port	1.27	–	–	–	–	–	–	–	–	–	–	–	–
Broadband MSAN access	rental	16.27	–	–	–	–	–	–	–	–	–	–	–	–
EVOTAM Testing Systems	£/line	4.70	–	–	–	–	–	–	–	–	–	–	–	–
Customer support – Broadband	%	£23m	0.59	0.62	0.40	0.40	0.04	0.04	0.09	0.09	0.61	0.61	3.8%	5.3%
Ofcom Administration Fee – Wholesale	%	£1m	0.03	0.03	0.02	0.02	0.00	0.00	0.00	0.00	0.03	0.03	0.2%	0.3%
Revenue Receivables	%	£44m	0.38	0.40	0.26	0.26	0.03	0.03	0.06	0.06	0.39	0.39	2.4%	3.4%
Notional Creditor	%	£(4)m	(0.10)	(0.10)	–	–	(0.13)	(0.13)	(0.23)	(0.23)	(0.13)	(0.13)	(0.4)%	(0.4)%
EOI Inputs			16.19	15.66	–	–	20.37	20.37	34.98	34.98	20.37	20.37	67.5%	56.5%
Rounding			–	–	–	(0.01)	–	–	0.01	0.01	(0.01)	(0.01)	0.1%	0.1%
Fully Allocated Cost (£ or %)			83.23	83.86	50.74	55.90	20.31	20.31	34.91	34.91	21.26	21.26	100.0%	100.0%
	Volume (units)		288,478	67,600	1,292,902	119,481	12,517	2,849	1,444	4,801	54	16	(ux)	(ux)
	Fully Allocated Cost (£m)		24.0	5.7	65.6	6.7	0.3	0.1	0.1	0.2	0.0	0.0	1.8	0.3

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) calculation of FAC based on component costs and usage factors (continued)

For the year ended 31 March 2018

		Average cost per unit (from Appendix 1.1)	Cease Basket		WBC Connections		WBC End User Access – Rental		WBC Bandwidth		WBC Ancillary Charges & other		Other WBA (Market A)	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %
Components	Unit (a)													
ADSL connections	£/conn	0.04	–	–	0.03	0.03	–	–	–	–	–	–	–	–
Broadband line testing systems	£/line	0.14	–	–	–	–	0.12	0.12	–	–	–	–	–	–
DSLAM support	£/line	14.52	–	–	–	–	–	–	–	–	–	–	–	–
DSLAM equipment	£/line	0.61	–	–	–	–	–	–	–	–	–	–	–	–
Core Directors	£/circuit	0.59	–	–	–	–	–	–	–	–	–	–	–	–
ATM customer interface 34Mbps	£/port	10.18	–	–	–	–	–	–	–	–	–	–	–	–
ATM customer interface > 155Mbps	£/port	3.54	–	–	–	–	–	–	–	–	–	–	–	–
ATM network interface	£/port	33.59	–	–	–	–	–	–	–	–	–	–	–	–
ATM network switching	bandwidth	69.59	–	–	–	–	–	–	–	–	–	–	–	–
Inter ATM transmissions	£/use	2,698.76	–	–	–	–	–	–	–	–	–	–	–	–
Broadband backhaul circuits (excl Virtual Paths)	%	£68m	–	–	–	–	–	–	–	–	–	–	–	–
Core/Metro (broadband)	£/circuit	0.52	–	–	–	–	–	–	0.52	0.52	–	–	–	–
Edge Ethernet ports broadband	bandwidth	0.01	–	–	–	–	–	–	0.01	0.01	–	–	–	–
Metro BRAS and MSE	bandwidth	0.73	–	–	–	–	–	–	0.73	0.73	–	–	–	–
Ethernet Switch BB	£/circuit	0.61	–	–	–	–	–	–	0.61	0.61	–	–	–	–
Metro-core broadband transmission	£/circuit	0.17	–	–	–	–	–	–	0.17	0.17	–	–	–	–
Combi card broadband access	£/line	13.36	–	–	–	–	17.52	17.60	–	–	–	–	–	–
MSAN Access – SFBB	£/port	1.27	–	–	–	–	0.22	0.21	–	–	–	–	–	–
Broadband MSAN access	rental	16.27	–	–	–	–	21.34	21.45	–	–	–	–	–	–
EVOTAM Testing Systems	£/line	4.70	–	–	–	–	3.90	3.92	–	–	–	–	–	–
Customer support – Broadband	%	£23m	–	–	0.44	0.45	0.90	0.89	0.40	0.40	0.1%	0.3%	0.3%	24.4%
Ofcom Administration Fee – Wholesale	%	£1m	–	–	0.02	0.02	0.04	0.04	0.02	0.02	–	–	–	1.1%
Revenue Receivables	%	£44m	–	–	0.28	0.29	0.58	0.57	0.26	0.26	0.1%	0.2%	0.2%	15.7%
Notional Creditor	%	£(4)m	(0.03)	(0.03)	(0.24)	(0.26)	(0.17)	(0.17)	(0.01)	(0.01)	(0.6)%	(0.6)%	(0.6)%	(0.4)%
EOI Inputs			5.32	5.32	36.86	40.05	27.01	26.01	1.21	1.13	100.4%	100.2%	100.1%	59.1%
Rounding			–	–	0.01	–	(0.01)	–	–	0.01	–	(0.1)%	–	0.1%
Fully Allocated Cost (£ or %)			5.29	5.29	37.40	40.58	71.45	70.64	3.92	3.85	100.0%	100.0%	100.0%	100.0%
	Volume (units)		280,004	21,102	139,489	303	881,632	3,897	5,957,492	12,903	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)		1.5	0.1	5.2	0.0	63.0	0.3	23.4	0.0	6.7	1.2	5.1	0.5

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) EOI

For the year ended 31 March 2018

Average EOI Input Price per unit			IPstream Connect Max and Max Premium End User Access – Rental		IPstream Connect Contracted Bandwidth per Mbps per node rental		IPstream Connect End User Re-grade		IPstream Connect End User Migration		IPstream Connect ADSL Cancellation		Other IPstream Connect Market		Cease Basket		WBC Connections		WBC End User Access – Rental		WBC Bandwidth		WBC Ancillary Charges & other		Other WBA (Market A)			
			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %		
EOI Charge (£ or %)																												
Part Service Description			Units																									
EBD 1Gbps Rentals Rest of UK – Internal EOI Charges			circuits	2,801.19	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	-	-	
EBD 10Gbps Rentals Rest of UK – Internal EOI Charges			circuits	10,445.10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.21	0.21	-	-	-	-	
EBD 10Gbps Connections Rest of UK – Internal EOI Charges			circuits	7,225.71	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
EBD 1Gbps Rentals Residual – Internal EOI Charges			circuits	2,866.92	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.03	0.03	-	-	-	-	
EBD 10Gbps Rentals Residual – Internal EOI Charges			circuits	10,297.67	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.00	0.00	-	-	-	-	
EBD 10Gbps Rentals Combined Geo – Internal EOI Charges			circuits	9,889.32	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	-	-	
SMPF New Provides Costs – Internal EOI Charges			comns	26.43	-	-	-	-	-	-	-	-	96.6%	92.6%	-	-	19.85	17.86	-	-	-	-	-	-	-	-	-	
SMPF Single Migrations Costs – Internal EOI Charges			migrations	30.26	-	-	-	-	11.37	11.37	-	-	-	-	-	-	-	-	-	-	-	-	-	4.4%	9.9%	-	-	
SMPF Rentals Costs – Internal EOI Charges			rentals	2.50	2.57	2.57	-	-	-	-	-	-	1.3%	3.6%	-	-	-	-	2.13	2.14	-	-	-	-	-	-	-	
Other LLU ancillaries basket Costs – Internal EOI Charges			ancillaries	47.36	-	-	-	20.37	20.37	20.37	20.37	20.37	20.37	-	-	-	-	-	-	-	-	-	-	58.7%	76.6%	-	-	
SMPF Bulk Migrations Costs – Internal EOI Charges			migrations	20.97	-	-	-	-	3.24	3.24	-	-	-	-	-	-	-	-	-	-	-	-	-	1.3%	2.8%	-	-	
MPF Hard Ceases Costs – Internal EOI Charges			ceases	27.16	-	-	-	-	-	-	-	-	-	-	0.25	0.25	-	-	-	-	-	-	-	-	-	-	-	
SMPF Hard Ceases Costs – Internal EOI Charges			ceases	21.37	-	-	-	-	-	-	-	-	-	-	5.07	5.07	-	-	-	-	-	-	-	-	-	-	-	
Other Tie-cables and Comingling Costs – Internal EOI Charges			%	£18m	4.04	4.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
GEA FITC Rentals Costs – Internal EOI Charges			rentals	106.59	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.62	1.62	-	-	-	-	-	
GEA FITC Connections Costs – Internal EOI Charges			comns	50.06	-	-	-	-	-	-	-	-	-	-	-	-	-	15.46	20.12	-	17.57	17.16	-	-	-	-	-	
GEA FITP Rentals Costs – Internal EOI Charges			rentals	125.77	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.71	0.69	-	-	-	-	-	
GEA FITP Connections Costs – Internal EOI Charges			comns	87.00	-	-	-	-	-	-	-	-	-	-	-	-	-	1.55	2.02	-	-	-	-	-	-	-	-	
GEA CP to CP Migration Costs – Internal EOI Charges			migrations	11.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Special Faults Investigation – Internal EOI Charges			ancillaries	86.09	1.72	1.72	-	-	-	-	-	-	-	-	0.9%	2.4%	-	-	-	-	-	-	-	-	35.7%	10.7%	37.0%	58.7%
Tie Cables Costs – Internal EOI Charges			ancillaries	33.05	6.48	6.48	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.43	1.44	-	-	-	-	-	
21CN Backhaul EAD – Internal EOI Charges			circuits	7,755.41	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.07	2.08	-	-	-	-	-	
WLA Time Related Charges Costs – Internal EOI Charges			ancillaries	96.11	1.37	0.85	-	-	-	-	-	-	-	1.2%	1.3%	-	-	-	-	-	1.10	0.48	-	-	-	-	-	
SMPF Expedites – Internal EOI Charges			ancillaries	102.03	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.1%	5.0%	
NGA Expedites – Internal EOI Charges			ancillaries	195.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4.0%	0.2%	
SMPF Enhanced Care – Internal EOI Charges			ancillaries	38.20	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27.5%	36.1%	
NGA Enhanced Care – Internal EOI Charges			ancillaries	40.34	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.8%	0.1%	
NGA Visit Assure EOI – Internal EOI Charges			ancillaries	131.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.40	0.39	-	-	-	-	-	
Copper Broadband Boost – Internal EOI Charges			ancillaries	166.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24.5%	0.1%	
Roundings				0.01	-	-	-	-	-	-	-	-	-	-	0.1%	-	-	-	-	-	-	-	0.01	-	-	-	-	
EOI cost (£ or %)				16.19	15.66	-	-	20.37	20.37	34.98	34.98	20.37	20.37	100.0%	100.0%	5.32	5.32	36.86	40.00	27.01	26.00	1.20	1.13	100.0%	100.0%	100.0%	100.0%	
Volumes Unit			288,478	67,600	1,292,902	119,481	12,517	2,849	1,444	4,801	54	16	(ux)	(ux)	280,004	21,102	139,489	303	881,632	3,897	5,957,492	12,903	(ux)	(ux)	(ux)	(ux)	(ux)	
Total EOI Cost (£m)			4.7	1.1	-	-	0.3	0.1	0.1	0.2	0.0	0.0	1.2	0.2	1.5	0.1	5.1	0.0	23.8	0.1	7.2	0.0	6.7	1.2	5.1	0.3		

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) Summary

Restated for the year ended 31 March 2017 (b)

Detailed service analysis	Internal Revenue £m	External Revenue £m	Total Revenue £m	Internal Volume	External Volume	Measure	Average Internal Price £	Average External Price £	Internal FAC £m	External FAC £m	Total FAC £m	Internal EOI £m	External EOI £m
IPstream Services													
IPstream Connect Max and Max Premium End User Access – Rental	27.4	8.3	35.7	462,918	134,393	rentals	59.21	62.08	31.3	9.2	40.5	4.6	1.3
IPstream Connect Contracted Bandwidth per Mbps per node rental	67.2	6.7	73.9	1,674,704	166,934	bandwidth	40.11	40.12	75.9	10.1	86.0	–	–
IPstream Connect End User Re-grade	0.1	0.0	0.1	24,708	7,322	re-grades	4.39	4.39	0.2	0.1	0.3	0.2	0.1
IPstream Connect End User Migration	0.0	0.1	0.1	3,612	8,279	migrations	9.57	9.57	0.0	0.1	0.1	0.0	0.1
IPstream Connect ADSL Cancellation	0.0	0.0	–	12	12	cancellations	60.55	60.55	0.0	0.0	–	0.0	0.0
Other IPstream Connect Market	10.3	3.2	13.5	(ux)	(ux)	(ux)	(sx)	(sx)	2.7	0.7	3.4	1.9	0.5
Total IPstream Connect Basket	105.0	18.3	123.3						110.1	20.2	130.3	6.7	2.0
Cease Basket	–	–	–	221,333	33,941	ceases	–	–	1.3	0.2	1.5	1.3	0.2
WBC Services													
WBC Connections	6.3	0.0	6.3	143,708	755	conns	43.85	44.58	5.2	0.0	5.2	5.1	0.0
WBC End User Access – Rental	70.6	0.3	70.9	828,637	3,758	rentals	85.25	83.83	48.7	0.2	48.9	17.9	0.1
WBC Bandwidth	182.3	0.4	182.7	4,556,774	9,853	bandwidth	40.00	40.00	19.6	0.0	19.6	6.3	0.0
WBC Ancillary Charges & other	1.2	0.4	1.6	(ux)	(ux)	(ux)	(sx)	(sx)	1.6	0.4	2.0	1.6	0.4
Sub-total WBC Services	260.4	1.1	261.5						75.1	0.6	75.7	30.9	0.5
Other WBA (Market A)	2.5	14.9	17.4	(ux)	(ux)	(ux)	(sx)	(sx)	6.5	1.1	7.6	6.5	0.8
Total WBA (Market A) (including EOI and Internal)	367.9	34.3	402.2						193.0	22.1	215.1	45.4	3.5
Adjustment for EOI and Internal	(45.4)	(3.5)	(48.9)						(45.4)	(3.5)	(48.9)		
Rounding	(0.1)	–	(0.1)						–	–	–		
Total WBA (Market A) (adjusted for EOI and Internal)	322.4	30.8	353.2						147.6	18.6	166.2		

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) calculation of FAC based on component costs and usage factors

Restated for the year ended 31 March 2017 (b)

Fully Allocated Cost (£ or %)	Unit (a)	Average cost per unit (from Appendix 1.2)		IPstream Connect Max and Max Premium End User Access – Rental		IPstream Connect Contracted Bandwidth per Mbps per node rental		IPstream Connect End User Re-grade		IPstream Connect End User Migration		IPstream Connect ADSL Cancellation		Other IPstream Connect Market	
		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %
Components															
ADSL connections	£/conn	0.05	–	–	–	–	–	–	–	–	–	–	–	0.1%	0.1%
Broadband line testing systems	£/line	0.43	0.43	0.43	–	–	–	–	–	–	–	–	–	0.1%	0.2%
DSLAM support	£/line	14.44	47.47	47.95	3.11	9.15	–	–	–	–	–	–	–	17.4%	20.0%
DSLAM equipment	£/line	4.97	8.73	8.82	3.21	9.45	–	–	–	–	–	–	–	3.2%	3.7%
Core Directors	£/circuit	0.40	–	–	0.40	0.39	–	–	–	–	–	–	–	–	–
ATM customer interface 34Mbps	£/port	80.91	–	–	0.00	0.00	–	–	–	–	–	–	–	–	–
ATM customer interface > 155Mbps	£/port	22.61	–	–	0.22	0.44	–	–	–	–	–	–	–	–	–
ATM network interface	£/port	234.61	–	–	0.15	0.30	–	–	–	–	–	–	–	–	–
ATM network switching	bandwidth	464.67	–	–	0.68	1.39	–	–	–	–	–	–	–	–	–
Inter ATM transmissions	£/use	2,633.88	–	–	1.75	3.56	–	–	–	–	–	–	–	–	–
Broadband backhaul circuits (excl Virtual Paths)	%	£69m	–	–	35.07	35.06	–	–	–	–	–	–	–	–	–
Core/Metro (broadband)	£/circuit	0.65	–	–	–	–	–	–	–	–	–	–	–	–	–
Edge Ethernet ports broadband	bandwidth	0.02	–	–	–	–	–	–	–	–	–	–	–	–	–
Metro BRAS and MSE	bandwidth	0.62	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Switch BB	£/circuit	0.66	–	–	–	–	–	–	–	–	–	–	–	–	–
Metro-core broadband transmission	£/circuit	0.23	–	–	–	–	–	–	–	–	–	–	–	–	–
Combi card broadband access	£/line	11.26	–	–	–	–	–	–	–	–	–	–	–	–	–
MSAN Access – SFBB	£/port	1.12	–	–	–	–	–	–	–	–	–	–	–	–	–
Broadband MSAN access	rental	14.47	–	–	–	–	–	–	–	–	–	–	–	–	–
EVOTAM Testing Systems	£/line	4.80	–	–	–	–	–	–	–	–	–	–	–	–	–
Customer support – Broadband	%	£30m	0.68	0.71	0.46	0.46	0.05	0.05	0.11	0.11	0.69	0.69	0.69	4.4%	5.3%
Ofcom Administration Fee – Wholesale	%	£1m	0.03	0.03	0.02	0.02	0.00	0.00	0.00	0.00	0.03	0.03	0.03	0.1%	0.1%
Revenue Receivables	%	£47m	0.40	0.42	0.27	0.27	0.03	0.03	0.06	0.06	0.41	0.41	0.41	2.6%	3.1%
Notional Creditor	%	£(3)m	(0.07)	(0.07)	–	–	(0.05)	(0.05)	(0.07)	(0.07)	(0.05)	(0.05)	(0.05)	(0.5%)	(0.5%)
EOI Inputs			10.00	9.89	–	–	7.74	7.74	10.55	10.55	7.74	7.74	7.74	72.6%	68.0%
Rounding			–	–	(0.01)	–	–	–	–	–	(0.01)	(0.01)	–	–	–
Fully Allocated Cost (£ or %)		67.67	68.18		45.33	60.49	7.77	7.77	10.65	10.65	8.81	8.81		100.0%	100.0%
	Volume (units)	462,918	134,393		1,674,704	166,934	24,708	7,322	3,612	8,279	12	12		(ux)	(ux)
	Fully Allocated Cost (£m)	31.3	9.2		75.9	10.1	0.2	0.1	0.0	0.1	0.0	0.0		2.7	0.7

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) calculation of FAC based on component costs and usage factors (continued)

Restated for the year ended 31 March 2017 (b)

		Average cost per unit (from Appendix 1.2)	Cease Basket		WBC Connections		WBC End User Access – Rental		WBC Bandwidth		WBC Ancillary Charges & other		Other WBA (Market A)	
Fully Allocated Cost (£ or %)			Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %
Components	Unit (a)													
ADSL connections	£/conn	0.05	–	–	0.04	0.03	–	–	–	–	–	–	–	–
Broadband line testing systems	£/line	0.43	–	–	–	–	0.37	0.38	–	–	–	–	–	–
DSLAM support	£/line	14.44	–	–	–	–	–	–	–	–	–	–	–	–
DSLAM equipment	£/line	4.97	–	–	–	–	–	–	–	–	–	–	–	–
Core Directors	£/circuit	0.40	–	–	–	–	–	–	–	–	–	–	–	–
ATM customer interface 34Mbps	£/port	80.91	–	–	–	–	–	–	–	–	–	–	–	–
ATM customer interface > 155Mbps	£/port	22.61	–	–	–	–	–	–	–	–	–	–	–	–
ATM network interface	£/port	234.61	–	–	–	–	–	–	–	–	–	–	–	–
ATM network switching	bandwidth	464.67	–	–	–	–	–	–	–	–	–	–	–	–
Inter ATM transmissions	£/use	2,633.88	–	–	–	–	–	–	–	–	–	–	–	–
Broadband backhaul circuits (excl Virtual Paths)	%	£69m	–	–	–	–	–	–	–	–	–	–	–	–
Core/Metro (broadband)	£/circuit	0.65	–	–	–	–	–	–	0.65	0.65	–	–	–	–
Edge Ethernet ports broadband	bandwidth	0.02	–	–	–	–	–	–	0.02	0.02	–	–	–	–
Metro BRAS and MSE	bandwidth	0.62	–	–	–	–	–	–	0.62	0.62	–	–	–	–
Ethernet Switch BB	£/circuit	0.66	–	–	–	–	–	–	0.66	0.66	–	–	–	–
Metro-core broadband transmission	£/circuit	0.23	–	–	–	–	–	–	0.23	0.23	–	–	–	–
Combi card broadband access	£/line	11.26	–	–	–	–	13.61	13.80	–	–	–	–	–	–
MSAN Access – SFBB	£/port	1.12	–	–	–	–	0.15	0.13	–	–	–	–	–	–
Broadband MSAN access	rental	14.47	–	–	–	–	17.49	17.74	–	–	–	–	–	–
EVOTAM Testing Systems	£/line	4.80	–	–	–	–	4.17	4.23	–	–	–	–	–	–
Customer support – Broadband	%	£30m	–	–	0.50	0.51	0.97	0.96	0.46	0.46	0.8%	1.0%	0.4%	12.3%
Ofcom Administration Fee – Wholesale	%	£1m	–	–	0.02	0.02	0.03	0.03	0.02	0.01	0.0%	0.0%	0.0%	0.7%
Revenue Receivables	%	£47m	–	–	0.29	0.30	0.57	0.56	0.27	0.27	0.5%	0.6%	0.3%	9.4%
Notional Creditor	%	£(3)m	(0.04)	(0.04)	(0.24)	(0.25)	(0.15)	(0.14)	(0.01)	(0.01)	(0.7)%	(0.7)%	(0.7)%	(0.5)%
EOI Inputs			6.02	6.02	35.79	37.28	21.61	20.44	1.38	1.32	99.3%	99.1%	99.9%	78.1%
Rounding			–	–	–	–	–	0.01	–	0.01	0.1%	–	0.1%	–
Fully Allocated Cost (£ or %)			5.98	5.98	36.40	37.89	58.82	58.14	4.30	4.24	100.0%	100.0%	100.0%	100.0%
	Volume (units)		221,333	33,941	143,708	755	828,637	3,758	4,556,774	9,853	(ux)	(ux)	(ux)	(ux)
	Fully Allocated Cost (£m)		1.3	0.2	5.2	0.0	48.7	0.2	19.6	0.0	1.6	0.4	6.5	1.1

Section 10 – Review of Wholesale Broadband Access Markets

WBA (Market A) EOI

Restated for the year ended 31 March 2017 (b)

		Average EOI Input Price per unit		IPstream Connect Max and Max Premium End User Access – Rental		IPstream Connect Contracted Bandwidth per Mbps per node rental		IPstream Connect End User Re-grade		IPstream Connect End User Migration		IPstream Connect ADSL Cancellation		Other IPstream Connect Market		Cease Basket		WBC Connections		WBC End User Access – Rental		WBC Bandwidth		WBC Ancillary Charges & other		Other WBA (Market A)	
EOI Charge (£ or %)		Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal £	External £	Internal %	External %	Internal %	External %
Part Service Description	Units																										
EBD 1Gbps Rentals Rest of UK – Internal EOI Charges	circuits	3,962.44	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.04	0.04	-	-	-	-
EBD 10Gbps Rentals Rest of UK – Internal EOI Charges	circuits	10,513.40	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.18	0.18	-	-	-	-
EBD 10Gbps Connections Rest of UK –Internal EOI Charges	circuits	7,255.38	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	-	-
EBD 1Gbps Rentals Residual – Internal EOI Charges	circuits	4,011.26	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.01	0.01	-	-	-	-
EBD 10Gbps Rentals Residual – Internal EOI Charges	circuits	10,315.01	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	-	-
EBD 10Gbps Rentals Combined Geo – Internal EOI Charges	circuits	9,961.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.02	0.02	-	-	-	-
SMPF New Provides Costs – Internal EOI Charges	conns	27.53	-	-	-	-	-	-	-	-	-	97.5%	96.1%	-	-	22.13	21.16	-	-	-	-	-	-	-	-	-	-
SMPF Single Migrations Costs – Internal EOI Charges	migrations	30.13	-	-	-	-	-	2.59	2.59	-	-	-	-	-	-	-	-	-	-	-	-	-	-	9.4%	8.1%	-	-
SMPF Rentals Costs –Internal EOI Charges	rentals	2.50	2.55	2.55	-	-	-	-	-	-	-	1.1%	2.1%	-	-	-	-	2.22	2.25	-	-	-	-	-	-	-	-
Other LLU ancillaries basket Costs – Internal EOI Charges	ancillaries	30.26	-	-	-	7.74	7.74	7.74	7.74	7.74	7.74	-	-	-	-	-	-	-	-	-	-	-	-	57.6%	77.8%	-	-
SMPF Bulk Migrations Costs – Internal EOI Charges	migrations	20.97	-	-	-	-	-	0.22	0.22	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.8%	0.7%	-	-
MPF Hard Ceases Costs – Internal EOI Charges	ceases	26.80	-	-	-	-	-	-	-	-	-	-	-	0.23	0.23	-	-	-	-	-	-	-	-	-	-	-	-
SMPF Hard Ceases Costs – Internal EOI Charges	ceases	23.98	-	-	-	-	-	-	-	-	-	-	-	5.79	5.79	-	-	-	-	-	-	-	-	-	-	-	-
Other Tie-cables and Comingling Costs – Internal EOI Charges	ancillaries	£18m	3.06	3.06	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
GEA FITC Rentals Costs – Internal EOI Charges	rentals	103.78	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.49	1.51	-	-	-	-	-	-
GEA FITC Connections Costs – Internal EOI Charges	conns	51.07	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13.32	12.04	-	-	-	-	-	-
GEA FTTP Rentals Costs – Internal EOI Charges	rentals	94.68	-	-	-	-	-	-	-	-	-	-	-	-	-	12.87	15.19	-	-	-	-	-	-	-	-	-	-
GEA FTTP Connections Costs – Internal EOI Charges	conns	87.97	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.27	0.24	-	-	-	-	-	-	-	-
GEA CP to CP Migration Costs – Internal EOI Charges	migrations	11.00	-	-	-	-	-	-	-	-	-	-	-	-	-	0.80	0.94	-	-	-	-	-	-	-	-	-	-
Special Faults Investigation – Internal EOI Charges	ancillaries	80.73	1.40	1.40	-	-	-	-	-	-	-	0.6%	1.2%	-	-	-	-	1.22	1.24	-	-	-	-	32.2%	13.5%	41.8%	74.2%
Tie Cables Costs – Internal EOI Charges	ancillaries	35.66	2.34	2.34	-	-	-	-	-	-	-	-	-	-	-	-	-	2.16	2.20	-	-	-	-	-	-	-	-
21CN Backhaul EAD – Internal EOI Charges	circuits	9,347.89	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1.10	1.04	-	-	-	-	-	-
WLA Time Related Charges Costs – Internal EOI Charges	ancillaries	77.97	0.65	0.54	-	-	-	-	-	-	-	0.8%	0.7%	-	-	-	-	0.64	0.71	-	-	-	-	-	-	-	-
SMPF Expedites – Internal EOI Charges	ancillaries	101.33	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6.9%	4.9%
NGA Expedites – Internal EOI Charges	ancillaries	195.99	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.9%	0.1%
SMPF Enhanced Care – Internal EOI Charges	ancillaries	37.04	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	22.2%	20.7%
NGA Enhanced Care – Internal EOI Charges	ancillaries	40.70	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.4%	0.0%
NGA Visit Assure – Internal EOI Charges	ancillaries	165.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.29	0.26	-	-	-	-	-	-	-	-
Copper Broadband Boost – Internal EOI Charges	ancillaries	166.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25.9%	-
Roundings												(0.1%)				(0.01)				(0.01)		(0.02)	(0.01)		(0.1%)	(0.1%)	0.1%
EOI cost (£ or %)		10.00	9.89	-	-	7.74	7.74	10.55	10.55	7.74	7.74	100.0%	100.0%	6.02	6.02	35.79	37.29	21.61	20.44	1.37	1.32	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Volumes	Unit	462,918	134,393	1,674,704	166,934	24,708	7,322	3,612	8,279	12	12	(ux)	(ux)	221,333	33,941	143,708	755	828,637	20,444	4,556,774	9,853	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)
Rentals	Unit	462,918	134,393	1,674,704	166,934	24,708	7,322	3,612	8,279	12	12	(ux)	(ux)	221,333	33,941	143,708	755	828,637	20,444	4,556,774	9,853	(ux)	(ux)	(ux)	(ux)	(ux)	(ux)
Total EOI Cost (£m)		4.6	1.3	-	-	0.2	0.1	0.0	0.1	0.0	0.0	1.9	0.5	1.3	0.2	5.1	0.0	17.9	0.1	6.3	0.0	1.6	0.4	6.5	0.8		

Section 11
Attribution of Wholesale Current Costs and Mean Capital Employed

Section 11 – Attribution of Wholesale Current Costs and Mean Capital Employed

11.1 Wholesale Sector Costs

We outline below a brief description of the sectors reported in the Attribution of Wholesale Current Cost Statement and the key drivers of these sectors. Further details of these sectors can be found in the AMD.

EOI Input Prices

Where Openreach provides services under an EOI obligation, these are provided on an equivalent basis to all customers. This means that BT provides, in respect of a particular product or service, the same product or service to all CPs (including BT) on the same timescales, terms and conditions (including price and service levels) by means of the same systems and processes.

Provision and Maintenance

Provision and Maintenance includes engineering pay and non-pay costs relating to network provisions, installation and maintenance of the network. The largest of these costs relates to distribution side copper maintenance which is apportioned to services on the basis of the number of lines, relative fault rates and service levels.

Network Support

Network Support contains costs of the activities necessary to support the running of BT's network including time booked by engineers to non-operational activities. Most of these costs are apportioned using previously allocated engineers' pay.

General Support

General Support includes planning, development, supplies, transport, computing, customer service, personnel and administration, and other general support costs. The key drivers for the apportionment of General Support include previously allocated pay costs and activity surveys.

General Management

General Management includes operator services, costs of general management activities and other general expenses. The key drivers are pay costs and asset values.

Finance and Billing

Finance and Billing includes the non-pay costs associated with activities of a financial nature, including consulting work and audit fees. The key drivers for the apportionment of Finance and Billing are previously allocated pay costs and asset values.

Accommodation

Accommodation includes building rents, business rates, facilities management and utility bills. Accommodation costs are mainly apportioned based on the use of floor space and power consumption.

Bad Debts

Bad Debts include costs associated with writing off amounts that cannot be collected from customers. The key driver of the attribution of these costs is revenue.

Other Costs

Other Costs includes payments to other UK CPs, which are allocated to Wholesale Residual.

Depreciation

Depreciation is analysed between land and buildings, access, switch, duct and transmission and other (including network power, computers and amortisation of software). The key drivers are engineering models and direct mapping of BT classes of work to network components and then onto the appropriate service based on usage factors and service volumes.

Section 11 – Attribution of Wholesale Current Costs and Mean Capital Employed

Attribution of Wholesale Current Costs

For the year ended 31 March 2018

	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets					Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	59	1,020	(1,079)	-	-
Provision/Maintenance	227	10	1	15	174	5	10	5	5	1	8	152	-	(1)	612
Network Support	149	40	1	7	93	3	5	3	3	1	5	27	-	1	338
General Support	196	62	3	7	116	3	6	3	2	0	3	31	-	-	432
General Management	249	88	5	18	148	5	10	16	9	1	14	169	-	-	732
Finance and Billing	8	2	0	1	5	0	0	0	0	0	0	2	-	1	19
Accommodation	108	18	1	31	87	9	16	39	35	2	32	129	-	(1)	506
Bad Debts	1	0	0	0	0	0	0	0	0	0	0	2	-	-	3
Other Costs	11	4	0	6	18	2	3	7	7	0	5	338	-	(1)	400
Depreciation – Land and Buildings	34	3	0	5	10	2	2	6	5	0	7	25	-	-	99
– Access	426	100	3	18	343	8	13	1	1	0	4	25	-	(2)	940
– Switch, Duct and Transmission	8	68	4	15	15	1	6	8	7	1	27	247	-	1	408
– Other related	85	17	1	7	34	2	3	5	5	0	15	135	-	-	309
Sub-total Depreciation	553	188	8	45	402	13	24	20	18	1	53	432	-	(1)	1,756
Sub-total HCA Operating Costs	1,502	412	19	130	1,043	40	74	93	79	6	179	2,302	(1,079)	(2)	4,798
CCA Adjustments:															
Holding (Gain)/Loss	(119)	(53)	(1)	(6)	(157)	(4)	(5)	(3)	(3)	0	(7)	(13)	-	(1)	(372)
Supplementary Depreciation	84	37	1	5	109	3	3	1	1	0	0	(18)	-	-	226
Other CCA Adjustments	(6)	(3)	0	0	3	2	1	7	6	0	4	60	-	(1)	73
Roundings	1	(1)	(1)	(1)	-	(1)	(1)	1	2	-	(1)	-	-	3	1
Total CCA Operating Costs	1,462	392	18	128	998	40	72	99	85	6	175	2,331	(1,079)	(1)	4,726

Section 11 – Attribution of Wholesale Current Costs and Mean Capital Employed

Attribution of Wholesale Current Costs

Restated for the year ended 31 March 2017 (b)

	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets					Wholesale Broadband Access Markets					
	WLA £m	Low Bandwidth CISBO Rest of UK £m	Low Bandwidth CISBO Combined Geographic £m	Low Bandwidth TISBO £m	WFAEL £m	ISDN2 £m	ISDN30 £m	Fixed call origination £m	Fixed geographic call termination £m	Technical areas (DLE Interconnect Circuits) £m	WBA (Market A) £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m	
Operating Costs of Wholesale Services:																
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	49	966	(1,016)	1	-	
Provision/Maintenance	234	8	1	17	170	6	11	6	5	1	7	162	-	1	629	
Network Support	138	25	1	5	63	2	4	2	2	0	2	22	-	(2)	264	
General Support	156	43	2	5	92	3	5	2	1	0	2	75	-	(1)	385	
General Management	256	90	5	19	152	5	10	19	10	1	14	559	-	-	1,140	
Finance and Billing	8	2	0	0	6	0	0	0	0	0	0	4	-	1	21	
Accommodation	115	18	1	35	88	8	16	38	34	2	32	123	-	(1)	509	
Bad Debts	1	0	0	0	1	0	0	0	0	0	0	0	-	1	3	
Other Costs	16	5	0	7	19	2	3	7	6	1	5	443	-	-	514	
Depreciation – Land and Buildings	40	3	0	6	11	2	3	6	6	0	7	25	-	(2)	107	
– Access	371	96	3	22	348	9	13	1	1	0	4	24	-	2	894	
– Switch, Duct and Transmission	8	79	4	20	14	1	7	9	8	1	29	245	-	(1)	424	
– Other related	109	21	1	8	43	2	4	6	5	0	28	138	-	1	366	
Sub-total Depreciation	528	199	8	56	416	14	27	22	20	1	68	432	-	-	1,791	
Sub-total HCA Operating Costs	1,452	390	18	144	1,007	40	76	96	78	6	179	2,786	(1,016)	-	5,256	
CCA Adjustments:																
Holding (Gain)/Loss	(101)	(46)	(1)	(7)	(144)	(4)	(5)	(2)	(2)	0	(7)	(17)	-	2	(334)	
Supplementary Depreciation	76	36	1	5	105	3	3	1	1	0	0	(16)	-	1	216	
Other CCA Adjustments	(5)	(3)	0	1	3	2	2	7	7	0	5	49	-	(1)	67	
Roundings	1	-	-	1	-	(1)	(1)	1	-	-	1	1	-	(3)	-	
Total CCA Operating Costs	1,423	377	18	144	971	40	75	103	84	6	178	2,803	(1,016)	(1)	5,205	

Section 11 – Attribution of Wholesale Current Costs and Mean Capital Employed

11.2 Wholesale Current Cost Mean Capital Employed

We outline below a brief description of the non-current assets sectors and working capital reported in the Attribution of Wholesale Current Cost Mean Capital Employed Statement and the key drivers of the sector. Further details of these sectors can be found in the AMD.

Land and Buildings

This sector contains the asset values that are booked to BT Classes of Work (CoW) for land and buildings, including freehold, long leases and short leases. The sector includes corporate offices and network buildings owned by BT. Asset values are mainly apportioned based on the use of floor space.

Access – Copper

This sector contains the asset values for access copper (all the copper cables in the access network and all other necessary equipment required to carry signals between the user and the exchange). The key driver is direct mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

Access – Fibre

This sector contains the asset values for access fibre. The key driver is the mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

Access – Duct

This sector contains the asset values for duct. Duct is a pipe, tube or conduit through which underground cables are passed. The key driver is a duct model that allocates CoW to network cable components and then onto the appropriate service based on usage factors and actual service volumes.

Switch

This sector contains the asset values for switching equipment. This equipment is located in BT exchanges. The key drivers are engineering models that allocate CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

Transmission

This sector contains the asset values for transmission. Transmission includes core transmission Synchronous Digital Hierarchy (SDH), Plesiochronous Digital Hierarchy (PDH), Asynchronous Transfer Mode (ATM), cables and repeaters. The core transmission is used to link exchanges. The key drivers are engineering inventories and models that allocate CoW to network components and then onto the appropriate service based on usage factors and service volumes.

Other

This sector contains the asset values for a range of assets used by BT businesses including categories such as Software and Motor Transport. The key drivers are surveys, engineering models and direct mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes.

Working Capital

Working capital includes internal receivables and payables, external receivables and payables and inventories. Receivables and payables include an approximation of the internal “notional” receivables and payables that would be incurred if trades between BT’s business units were undertaken with a third party and at arm’s length. They are based upon the average trading terms of the Group’s external trade. Other working capital is attributed based on previously allocated costs and capex.

Section 11 – Attribution of Wholesale Current Costs and Mean Capital Employed

Attribution of Wholesale Current Cost Mean Capital Employed

For the year ended 31 March 2018

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current Assets															
Land & Buildings	286	26	1	52	104	14	25	63	58	2	70	254	–	–	955
Access – Copper	1,915	0	0	3	2,383	58	7	0	0	0	2	44	–	–	4,412
Access – Fibre	1,166	830	30	69	0	0	100	0	0	0	0	125	–	(1)	2,319
Access – Duct	1,958	688	17	87	1,941	47	43	31	29	3	144	367	–	1	5,356
Switch	19	–	–	0	32	4	3	14	12	1	–	31	–	1	117
Transmission	14	267	12	41	2	0	11	15	14	1	74	670	–	–	1,121
Other	305	65	3	28	145	8	14	26	23	1	63	379	–	(1)	1,059
Investments	0	0	0	0	0	0	0	0	0	0	0	0	–	–	0
Total Non-current Assets	5,663	1,876	63	280	4,607	131	203	149	136	8	353	1,870	–	–	15,339
Current Assets															
Inventories	–	–	–	–	–	–	–	–	–	–	–	5	–	–	5
Receivables															
– Internal	156	38	2	10	108	6	11	9	1	0	28	171	(71)	1	470
– External	333	51	2	14	135	5	8	10	9	1	14	120	–	1	703
Total Current Assets	489	89	4	24	243	11	19	19	10	1	42	296	(71)	2	1,178
Current Liabilities															
– Internal	–	–	–	–	–	–	–	–	–	–	(4)	(67)	71	–	–
– External	(481)	(86)	(4)	(22)	(190)	(7)	(14)	(14)	(12)	(1)	(20)	(366)	–	–	(1,217)
Total liabilities falling due within one year	(481)	(86)	(4)	(22)	(190)	(7)	(14)	(14)	(12)	(1)	(24)	(433)	71	–	(1,217)
Net Current (Liabilities)/Assets	8	3	–	2	53	4	5	5	(2)	–	18	(137)	–	2	(39)
Total Assets less Current Liabilities	5,671	1,879	63	282	4,660	135	208	154	134	8	371	1,733	–	2	15,300
Provisions for liabilities & charges	(35)	(10)	0	(3)	(23)	(1)	(2)	(2)	(1)	0	(2)	(475)	–	–	(554)
Roundings	1	–	–	1	1	–	1	–	(1)	(1)	1	–	–	(3)	–
Mean Capital Employed	5,637	1,869	63	280	4,638	134	207	152	132	7	370	1,258	–	(1)	14,746

Section 11 – Attribution of Wholesale Current Costs and Mean Capital Employed

Attribution of Wholesale Current Cost Mean Capital Employed

Restated for the year ended 31 March 2017 (b)

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current Assets															
Land & Buildings	355	26	2	61	105	14	26	64	58	2	74	254	–	–	1,041
Access – Copper	1,852	0	0	4	2,428	66	9	0	0	0	2	49	–	(2)	4,408
Access – Fibre	799	740	27	91	0	0	107	0	0	0	0	114	–	1	1,879
Access – Duct	1,755	678	16	108	1,900	52	48	29	27	3	146	345	–	(2)	5,105
Switch	21	0	0	0	45	7	5	22	20	1	0	46	–	–	167
Transmission	15	273	12	59	4	0	14	19	18	1	88	750	–	–	1,253
Other	350	71	3	34	160	9	16	28	25	1	66	356	–	2	1,121
Investments	0	0	0	0	0	0	0	0	0	0	0	0	–	–	0
Total Non-current Assets	5,147	1,788	60	357	4,642	148	225	162	148	8	376	1,914	–	(1)	14,974
Current Assets															
Inventories	–	–	–	–	–	–	–	–	–	–	–	5	–	–	5
Receivables															
– Internal	151	42	2	14	115	7	13	11	1	0	28	182	(70)	(1)	495
– External	277	27	1	10	93	3	5	7	6	0	9	77	–	3	518
Total Current Assets	428	69	3	24	208	10	18	18	7	0	37	264	(70)	2	1,018
Current Liabilities															
– Internal	–	–	–	–	–	–	–	–	–	–	(3)	(66)	70	(1)	–
– External	(410)	(78)	(4)	(26)	(178)	(7)	(14)	(16)	(14)	(1)	(23)	(405)	–	–	(1,176)
Total liabilities falling due within one year	(410)	(78)	(4)	(26)	(178)	(7)	(14)	(16)	(14)	(1)	(26)	(471)	70	(1)	(1,176)
Net Current (Liabilities)/Assets	18	(9)	(1)	(2)	30	3	4	2	(7)	(1)	11	(207)	–	1	(158)
Total Assets less Current Liabilities	5,165	1,779	59	355	4,672	151	229	164	141	7	387	1,707	–	–	14,816
Provisions for liabilities & charges	(34)	(9)	0	(3)	(22)	(1)	(2)	(2)	(1)	0	(2)	(349)	–	–	(425)
Roundings	(1)	1	1	(1)	–	–	2	–	(1)	1	(1)	(1)	–	–	–
Mean Capital Employed	5,130	1,771	60	351	4,650	150	229	162	139	8	384	1,357	–	–	14,391

Section 12
Reconciliation Statements

Section 12 – Reconciliation Statements

BT Reconciliation Statement – Consolidated Profit and Loss Account

For the year ended 31 March 2018

	External Revenue £m	Operating Costs £m	Return or Profit Before Taxation £m
As in the BT Group plc Annual Report and Form 20-F	23,723	20,342	2,616
Adjustments			
Share of post tax loss of associates and joint ventures	–	1	–
Net short term interest	–	30	–
Specific pension interest	–	–	218
Long term interest payable	–	–	516
Roundings and adjustments	–	(1)	1
Total BT Markets (HCA)	23,723	20,372	3,351
Holding gain	–	(372)	372
Supplementary Depreciation	–	226	(226)
Other CCA adjustments	–	73	(73)
Roundings	–	1	(1)
Total BT Markets (CCA)	23,723	20,300	3,423

Restated for the year ended 31 March 2017 (b)

	External Revenue £m	Operating Costs £m	Return or Profit Before Taxation £m
As in the BT Group plc Annual Report and Form 20-F	24,062	20,895	2,354
Adjustments			
Share of post tax loss of associates and joint ventures	–	9	–
Net short term interest	–	32	–
Specific pension interest	–	–	209
Long term interest payable	–	–	562
Roundings and adjustments	–	1	–
Total BT Markets (HCA)	24,062	20,937	3,125
Holding gain*	–	(334)	334
Supplementary Depreciation*	–	216	(216)
Other CCA adjustments*	–	67	(67)
Roundings	–	–	–
Total BT Markets (CCA)	24,062	20,886	3,176

* These are the only figures which have been restated for the year ended 31 March 2017 as described in section 2.1.6.

Section 12 – Reconciliation Statements

BT Reconciliation Statement – Consolidated Mean Capital Employed 2018 and 2017

As at 31 March

	2018 £m	2017 £m		2018 £m	2017 £m
Shareholders' funds as in the Annual Report and Form 20-F	10,304	8,335	Mean capital employed of BT Markets		
CCA adjustments	2,064	1,993	Wholesale Local Access	5,637	5,130
	12,368	10,328	Business Connectivity Markets	2,212	2,182
			Narrowband Markets	5,270	5,338
			Wholesale Broadband Access Markets	370	384
Adjustments			Total SMP Markets	13,489	13,034
Derivative financial instruments – assets	(1,509)	(2,246)	Residual activities:		
Deferred tax liabilities	1,340	1,240	Wholesale residual activity	1,258	1,357
Deferred tax assets	(1,243)	(1,717)	EOI Eliminations	–	–
Current tax assets	(77)	(73)	Retail residual activity	17,368	17,167
Current tax liabilities	83	197	Total residual activities	18,626	18,524
Long term loans and other borrowings:					
Due in less than one year	1,726	1,913	Wholesale markets	14,746	14,391
Due in more than one year	11,994	10,081	Retail markets & activities	17,368	17,167
Derivative financial instruments – liabilities	837	903			
Other liabilities	1,326	1,298			
Retirement benefit obligations	6,371 ^a	9,088			
Closing CCA capital employed at 31 March	33,216	31,012	Roundings and other adjustments	–	1
Opening CCA capital employed at 1 April	31,012	32,106	Total CCA mean capital employed	32,114	31,559
Total CCA mean capital employed	32,114	31,559			

^a For further details see Section 2.1.8 on page 13.

Appendix 1 Network Activity Statements

Appendix 1 – Network Activity Statements

Appendix 1.1 Network Activity Statements Consolidated

For the year ended 31 March 2018

Fully Allocated Cost (£m)	HCA operating cost	Supplementary depreciation	Holding (gain)/loss and other CCA adjustments	Roundings	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total operating costs and capital costs relating to current year	Volume (ii)	Units	Average costs per min/unit on a current cost basis relating to current year
Low TISBO 3rd Party Equipment Depn	2.6	–	–	–	2.6	–	0.0%	–	2.6	(i)	–	(i)
Revenue Receivables	–	–	–	–	–	469.7	9.4%	44.2	44.2	(i)	–	(i)
TISBO Excess Construction	3.2	–	–	–	3.2	59.8	9.8%	5.9	9.1	(i)	–	(i)
Ethernet Excess Construction	15.7	–	–	–	15.7	272.2	9.8%	26.7	42.4	(i)	–	(i)
MPF line testing systems	20.6	0.6	(0.6)	(0.1)	20.5	41.5	8.8%	3.7	24.2	9,266,117	lines	2.61
EVOTAM Testing Systems	16.7	0.5	(0.5)	–	16.7	33.7	8.8%	3.0	19.7	4,177,867	lines	4.70
PC rentals 2Mbps regional trunk	5.2	0.7	(0.7)	(0.1)	5.1	20.6	9.8%	2.0	7.1	240,995	km	29.46
PC rental 2Mbps link per km national trunk	3.8	0.4	(0.5)	–	3.7	13.2	9.8%	1.3	5.0	356,561	km	14.12
Regulated Time Related Charges	63.8	–	–	–	63.8	(5.0)	9.8%	(0.5)	63.3	(i)	–	(i)
Co-mingling set up	15.6	0.5	(1.1)	0.0	15.0	88.2	8.8%	7.8	22.8	7,199	rooms	3,158.38
Co-mingling rentals	22.4	–	–	–	22.4	86.9	8.8%	7.7	30.1	530,270	hostels	56.58
WLA tie cables	21.3	5.1	(5.1)	0.0	21.3	163.9	8.8%	14.4	35.7	1,211,558	cables	29.45
Local Loop Unbundling systems development	1.8	–	–	–	1.8	2.5	8.8%	0.2	2.0	(i)	–	(i)
Wholesale Access specific	2.1	–	–	–	2.1	5.1	8.8%	0.5	2.6	2,716,441	trans	0.93
Routing & Records	18.7	–	–	–	18.7	(1.4)	8.8%	(0.1)	18.6	7,780,403	lines	2.39
MDF Hardware jumpering	100.4	–	–	–	100.4	(7.3)	8.8%	(0.6)	99.8	7,975,144	lines	12.51
E side copper capital	104.0	21.9	(30.9)	(0.1)	94.9	887.4	8.8%	78.1	173.0	25,315,234	lines	6.83
E side copper current	98.8	–	–	–	98.8	(6.6)	8.8%	(0.6)	98.2	28,109,568	lines	3.49
D side copper capital	489.9	123.1	(189.5)	–	423.5	5,078.1	8.8%	446.9	870.4	25,315,234	lines	34.38
D side copper current	240.3	–	–	–	240.3	(15.9)	8.8%	(1.4)	238.9	28,109,568	lines	8.50
Local exchanges general frames equipment	35.3	–	–	–	35.3	30.2	8.8%	2.7	38.0	40,024,653	lines	0.95
Local exchanges general frames maintenance	32.8	–	–	–	32.8	(2.4)	8.8%	(0.2)	32.6	28,120,514	lines	1.16
Analogue line test equipment	2.6	–	–	–	2.6	4.1	8.8%	0.4	3.0	25,281,187	lines	0.12
Dropwire capital & analogue NTE	318.5	30.8	(43.6)	–	305.7	1,111.7	8.8%	97.8	403.5	25,213,228	lines	16.00
Analogue line drop maintenance	47.4	–	–	–	47.4	(2.4)	8.8%	(0.2)	47.2	26,529,898	lines	1.78
Analogue line cards	108.4	0.1	8.9	–	117.4	135.8	8.8%	12.0	129.4	15,566,380	lines	8.31
Pair gain	0.0	–	–	–	0.0	0.0	8.8%	0.0	0.0	15,566,380	lines	0.00
FTTC Development	4.2	–	–	–	4.2	11.5	9.8%	1.1	5.3	(i)	–	(i)
OR Service Centre – Provision Analogue/ISDN2	16.2	–	–	–	16.2	10.3	8.8%	0.9	17.1	(i)	–	(i)
OR Service Centre – Provision WLA	16.3	–	–	–	16.3	9.0	8.8%	0.8	17.1	(i)	–	(i)
OR Service Centre – Provision Ethernet	7.8	–	–	–	7.8	(0.9)	9.8%	(0.1)	7.7	(i)	–	(i)
OR Service Centre – Provision NGA	20.5	–	–	–	20.5	(2.0)	9.8%	(0.2)	20.3	(i)	–	(i)
OR Service Centre – Assurance Analogue/ISDN2	9.9	–	–	–	9.9	3.9	8.8%	0.3	10.2	(i)	–	(i)
OR Service Centre – Assurance WLA	9.1	–	–	–	9.1	3.2	8.8%	0.3	9.4	(i)	–	(i)
OR Service Centre – Assurance Ethernet	–	–	–	–	–	–	0.0%	–	–	(i)	–	(i)
Service Level Guarantees WLA	26.2	–	–	–	26.2	2.2	8.8%	0.2	26.4	(i)	–	(i)
Ethernet Backhaul Direct extended reach	0.3	0.0	0.0	–	0.3	1.0	9.8%	0.1	0.4	2,188	circuits	205.19
Ethernet Backhaul Direct Active	38.9	(2.4)	5.5	–	42.0	80.2	9.8%	7.9	49.9	6,322	circuits	7,892.04
Ethernet Backhaul Direct Passive	10.8	2.5	(2.7)	0.1	10.7	90.0	9.8%	8.8	19.5	5,536	circuits	3,521.71
Ethernet Backhaul Direct Resilience Active	0.9	(0.1)	0.2	0.1	1.1	2.2	9.8%	0.2	1.3	2,152	circuits	591.93
Ethernet Backhaul Direct Resilience Passive	0.3	0.1	0.0	(0.1)	0.3	1.8	9.8%	0.2	0.5	1,905	circuits	228.20
Combi card broadband access	53.7	(8.0)	3.1	0.0	48.8	71.6	9.8%	7.0	55.8	4,177,770	lines	13.36
iNode features	0.9	0.0	0.0	–	0.9	2.3	9.8%	0.2	1.1	(i)	–	(i)
Core/Metro (broadband)	35.1	(5.9)	20.2	(0.1)	49.3	70.7	9.8%	6.9	56.2	108,316,715	circuits	0.52
Core Directors	0.6	(0.1)	0.3	–	0.8	1.1	9.8%	0.1	0.9	1,509,674	circuits	0.59
Edge Ethernet ports broadband	0.6	(0.1)	0.4	–	0.9	1.3	9.8%	0.1	1.0	101,073,633	bandwidth	0.01
Metro BRAS and MSE	46.4	(7.6)	25.8	0.1	64.7	92.5	9.8%	9.1	73.8	101,073,633	bandwidth	0.73
Broadband MSAN access	64.9	(8.2)	1.9	0.1	58.7	95.2	9.8%	9.3	68.0	4,177,867	rentals	16.27
Ethernet Switch BB	56.1	(0.5)	(5.7)	–	49.9	123.9	9.8%	12.1	62.0	101,073,633	circuits	0.61
MSAN Access – SFBB	6.6	(0.1)	(0.9)	0.1	5.7	14.5	9.8%	1.4	7.1	5,610,967	ports	1.27
Metro-core broadband transmission	12.9	(0.8)	2.4	(0.1)	14.4	38.7	9.8%	3.8	18.2	106,787,641	circuits	0.17
ADSL connections	0.0	–	–	–	0.0	0.0	9.8%	0.0	0.0	843,383	comms	0.04
OR Project Services	13.7	–	–	–	13.7	(1.5)	8.8%	(0.1)	13.6	(i)	–	(i)
Caller Display	2.0	0.0	0.1	–	2.1	2.5	9.8%	0.2	2.3	(i)	–	(i)

Appendix 1 – Network Activity Statements

Appendix 1.1 Network Activity Statements Consolidated (continued)

For the year ended 31 March 2018

Fully Allocated Cost (£m)	HCA operating cost	Supplementary depreciation	Holding (gain)/loss and other CCA adjustments	Roundings	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total operating costs and capital costs relating to current year	Volume (ii)	Units	Average costs per min/unit on a current cost basis relating to current year
Network Features	3.4	0.0	0.3	0.0	3.7	4.2	9.8%	0.4	4.1	(i)	–	(i)
ATM customer interface 34Mbps	0.0	–	–	–	0.0	0.0	9.8%	0.0	0.0	1,037	ports	10.18
ATM customer interface > 155Mbps	0.1	–	–	–	0.1	0.0	9.8%	0.0	0.1	20,989	ports	3.54
ATM network interface	0.1	–	–	–	0.1	0.0	9.8%	0.0	0.1	2,125	ports	33.59
ATM network switching	0.3	–	–	–	0.3	0.0	9.8%	0.0	0.3	4,062	bandwidth	69.59
Inter ATM transmissions	3.7	0.8	(0.9)	–	3.6	21.9	9.8%	2.2	5.8	2,143	usage	2,698.76
PC rental 2Mbps link per km distribution	33.1	2.1	(2.5)	–	32.7	92.0	9.8%	9.0	41.7	662,796	km	62.91
Point of Handover electronics	5.2	0.2	(0.2)	(0.1)	5.1	11.0	9.8%	1.1	6.2	669	eq	9,271.69
PC rental 64Kbps link	7.5	0.1	(0.1)	(0.1)	7.4	9.5	9.8%	0.9	8.3	48,878	links	171.55
PC rental 2Mbps link	7.0	0.0	0.0	(0.1)	6.9	7.8	9.8%	0.8	7.7	41,988	links	183.41
PC rental 64Kbps link per km transmission	9.0	0.5	(0.7)	0.1	8.9	23.8	9.8%	2.3	11.2	1,471,902	km	7.64
2Mbps and above PC link connection cct provision	5.3	–	–	–	5.3	(0.2)	9.8%	0.0	5.3	401	circuits	13,125.69
64Kbps PC link connection cct provision	0.3	–	–	–	0.3	0.0	9.8%	0.0	0.3	47	circuits	5,813.66
PC rental 64Kbps link local end	18.9	0.3	(0.4)	–	18.8	26.4	9.8%	2.6	21.4	14,704	le	1,451.28
PC rental 2Mbps local end copper	2.6	0.0	0.0	–	2.6	2.3	9.8%	0.2	2.8	8,993	le	318.10
PC rental 2Mbps local end fibre	33.0	1.3	(2.4)	–	31.9	32.2	9.8%	3.2	35.1	60,920	le	575.32
Backhaul Extension Services Fibre	2.5	0.3	(0.6)	0.0	2.2	13.6	9.8%	1.3	3.5	3,393	le	1,037.05
Wholesale Extension Services Fibre	11.4	1.4	(2.7)	0.0	10.1	62.2	9.8%	6.1	16.2	15,500	le	1,044.05
Interconnect 2Mbps connection	5.1	–	–	–	5.1	(0.2)	9.8%	0.0	5.1	963	circuits	5,254.22
Interconnect extension circuits (IEC) 2Mbps link	0.5	0.0	0.0	–	0.5	0.6	9.8%	0.1	0.6	4,706	circuits	118.15
Interconnect Extension Circuits (IEC) 2Mbps per km	2.1	0.1	(0.2)	0.1	2.1	6.1	9.8%	0.6	2.7	95,993	km	27.85
Intra Building Circuit (IBC) connection	0.0	–	–	–	0.0	0.0	9.8%	0.0	0.0	1,135	circuits	0.54
Intra Building Circuit (IBC) rental	3.8	0.0	0.0	–	3.8	4.5	9.8%	0.4	4.2	51,554	circuits	83.17
Ethernet main links	48.8	21.5	(25.2)	(0.1)	45.0	617.9	9.8%	60.6	105.6	618,956	fibre km	170.61
Ethernet Electronics Current	15.1	0.3	(0.4)	–	15.0	18.4	9.8%	1.8	16.8	230,902	le	72.71
Customer support – Partial private circuits	10.4	–	–	–	10.4	5.6	9.8%	0.6	11.0	(i)	–	(i)
Customer support – Interconnect	2.2	–	–	–	2.2	0.5	9.8%	0.0	2.2	(i)	–	(i)
Customer support – Broadband	20.8	–	–	–	20.8	17.9	9.8%	1.8	22.6	(i)	–	(i)
Broadband backhaul circuits (excl Virtual Paths)	48.0	5.4	(6.6)	–	46.8	220.5	9.8%	21.6	68.4	(i)	–	(i)
OR Systems & Development – Ethernet	8.3	–	–	–	8.3	20.9	9.8%	2.1	10.4	406,982	le	25.48
Ofcom Administration Fee – Wholesale	1.2	–	–	–	1.2	0.1	9.8%	0.0	1.2	(i)	–	(i)
Ofcom Administration Fee – Openreach	2.7	–	–	–	2.7	0.2	9.8%	0.0	2.7	(i)	–	(i)
Special Fault Investigation	44.5	–	–	–	44.5	(3.2)	9.8%	(0.3)	44.2	(i)	–	(i)
Openreach sales product management	18.2	–	–	–	18.2	(29.7)	8.8%	(2.6)	15.6	(i)	–	(i)
Broadband line testing systems	0.5	–	–	–	0.5	1.3	9.8%	0.1	0.6	4,578,474	lines	0.14
DSLAM support	24.1	0.4	(0.6)	–	23.9	44.3	9.8%	4.3	28.2	1,945,320	lines	14.52
DSLAM equipment	0.1	–	–	–	0.1	10.8	9.8%	1.1	1.2	1,945,256	lines	0.61
Co-mingling power & vent	25.7	0.9	(1.1)	0.0	25.5	48.6	8.8%	4.3	29.8	28,189,648	hostels	1.06
Ethernet Access Direct Fibre	157.7	19.7	(37.8)	0.1	139.7	804.8	9.8%	78.9	218.6	278,557	circuits	784.63
Other Ethernet rentals – CCTV	1.8	–	–	–	1.8	(0.1)	9.8%	0.0	1.8	876	le	2,088.02
Ethernet Excess Construction Capex	23.9	–	–	–	23.9	65.4	9.8%	6.4	30.3	(i)	–	(i)
Ethernet Monitoring Platform	14.7	–	–	–	14.7	1.1	9.8%	0.1	14.8	44,235	circuits	334.28
SLG Ethernet Provision	51.0	–	–	–	51.0	3.6	9.8%	0.4	51.4	(i)	–	(i)
SLG Ethernet Assurance	0.2	–	–	–	0.2	0.0	9.8%	0.0	0.2	(i)	–	(i)
SLG WLR Provision	9.5	–	–	–	9.5	0.8	8.8%	0.1	9.6	(i)	–	(i)
SLG WLR Assurance	6.0	–	–	–	6.0	0.5	8.8%	0.0	6.0	(i)	–	(i)
Expedite Provision Costs	5.6	0.6	(0.8)	(0.1)	5.3	19.6	8.8%	1.7	7.0	81,253	lines	86.72
Combi card voice	0.0	0.0	0.0	–	0.0	0.1	8.8%	0.0	0.0	15,566,380	lines	0.00
Abortive Visits	11.5	1.0	(1.3)	(0.1)	11.1	32.5	8.8%	2.9	14.0	218,287	trans	63.88
EAD Electronics Capital	97.8	–	–	–	97.8	207.6	9.8%	20.3	118.1	221,792	circuits	532.91
SMP Accounting Separation components	878.7	17.5	(12.1)	0.1	884.2	2,923.8		286.5	1,170.7			
Residual components	867.5	(0.3)	10.9	–	878.1	205.4		19.6	897.7			
Roundings	0.2	(0.2)	(0.1)	0.3	0.2	0.2		(0.3)	(0.1)			
Total	4,798.4	226.4	(298.5)	0.0	4,726.3	14,745.9		1,365.5	6,091.8			

(i) This component is attributed on a % basis so no volume or unit cost is derivable

(ii) See glossary for volume unit descriptors

Appendix 1 – Network Activity Statements

Appendix 1.2 Network Activity Statements Consolidated

Restated for the year ended 31 March 2017 (b)

Fully Allocated Cost (£m)	HCA operating cost	Supplementary depreciation	Holding (gain)/loss and other CCA adjustments	Roundings	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total operating costs and capital costs relating to current year	Volume (ii)	Units	Average costs per min/unit on a current cost basis relating to current year
Low TISBO 3rd Party Equipment Depn	3.6	–	–	–	3.6	–	0.0%	–	3.6	(i)	–	(i)
Revenue Receivables	–	–	–	–	–	494.9	9.4%	46.6	46.6	(i)	–	(i)
TISBO Excess Construction	3.2	–	–	–	3.2	62.6	9.8%	6.1	9.3	(i)	–	(i)
Ethernet Excess Construction	12.2	–	–	–	12.2	227.9	9.8%	22.3	34.5	(i)	–	(i)
MPF line testing systems	24.3	0.6	(0.5)	0.0	24.4	59.1	8.8%	5.2	29.6	9,174,270	lines	3.23
EVOTAM Testing Systems	18.4	0.4	(0.4)	0.1	18.5	44.8	8.8%	3.9	22.4	4,679,905	lines	4.80
PC rentals 2Mbps regional trunk	5.5	0.7	(0.7)	–	5.5	24.8	9.8%	2.4	7.9	301,592	km	26.43
PC rental 2Mbps link per km national trunk	3.9	0.4	(0.4)	–	3.9	14.9	9.8%	1.5	5.4	410,588	km	12.99
Regulated Time Related Charges	61.6	–	–	–	61.6	(3.6)	9.8%	(0.4)	61.2	(i)	–	(i)
Co-mingling set up	16.2	0.4	(0.3)	0.0	16.3	86.9	8.8%	7.6	23.9	7,295	rooms	3,280.69
Co-mingling rentals	20.3	–	–	–	20.3	71.7	8.8%	6.3	26.6	543,615	hostels	49.04
WLA tie cables	20.2	4.8	(4.9)	–	20.1	165.7	8.8%	14.6	34.7	1,197,349	cables	28.92
Local Loop Unbundling systems development	3.1	–	–	–	3.1	5.6	8.8%	0.5	3.6	(i)	–	(i)
Wholesale Access specific	2.7	–	–	–	2.7	4.7	8.8%	0.4	3.1	2,347,095	trans	1.32
Routing & Records	19.4	–	–	–	19.4	(0.9)	8.8%	(0.1)	19.3	7,321,374	lines	2.64
MDF Hardware jumpering	98.6	–	–	–	98.6	(5.5)	8.8%	(0.5)	98.1	9,195,249	lines	10.67
E side copper capital	99.3	20.1	(27.3)	0.1	92.2	848.5	8.8%	74.7	166.9	25,555,494	lines	6.53
E side copper current	96.8	–	–	–	96.8	(5.0)	8.8%	(0.4)	96.4	28,160,296	lines	3.42
D side copper capital	459.6	118.6	(177.2)	0.1	401.1	5,091.3	8.8%	448.0	849.1	25,555,494	lines	33.23
D side copper current	237.1	–	–	–	237.1	(10.8)	8.8%	(1.0)	236.1	28,158,143	lines	8.39
Local exchanges general frames equipment	36.9	–	–	–	36.9	28.4	8.8%	2.5	39.4	41,076,052	lines	0.96
Local exchanges general frames maintenance	31.7	–	–	–	31.7	(1.7)	8.8%	(0.1)	31.6	28,164,511	lines	1.12
Analogue line test equipment	3.0	–	–	–	3.0	4.7	8.8%	0.4	3.4	25,553,734	lines	0.13
Dropwire capital & analogue NTE	301.7	29.7	(38.6)	0.1	292.9	1,066.3	8.8%	94.0	386.9	25,477,627	lines	15.19
Analogue line drop maintenance	49.6	–	–	–	49.6	(2.1)	8.8%	(0.2)	49.4	26,335,509	lines	1.88
Analogue line cards	99.5	0.4	10.1	0.1	110.1	145.9	8.8%	12.8	122.9	15,869,599	lines	7.74
Pair gain	0.1	–	–	–	0.1	0.0	8.8%	0.0	0.1	15,869,599	lines	0.01
FTTC Development	15.3	–	–	–	15.3	34.4	9.8%	3.4	18.7	(i)	–	(i)
OR Service Centre – Provision Analogue/ISDN2	23.2	–	–	–	23.2	10.1	8.8%	0.9	24.1	(i)	–	(i)
OR Service Centre – Provision WLA	23.6	–	–	–	23.6	9.4	8.8%	0.8	24.4	(i)	–	(i)
OR Service Centre – Provision Ethernet	3.7	–	–	–	3.7	(0.3)	9.8%	0.0	3.7	(i)	–	(i)
OR Service Centre – Provision NGA	12.7	–	–	–	12.7	(1.9)	9.8%	(0.2)	12.5	(i)	–	(i)
OR Service Centre – Assurance Analogue/ISDN2	7.7	–	–	–	7.7	3.4	8.8%	0.3	8.0	(i)	–	(i)
OR Service Centre – Assurance WLA	7.1	–	–	–	7.1	2.8	8.8%	0.2	7.3	(i)	–	(i)
OR Service Centre – Assurance Ethernet	0.5	–	–	–	0.5	(1.5)	9.8%	(0.1)	0.4	(i)	–	(i)
Service Level Guarantees WLA	36.8	–	–	–	36.8	1.3	8.8%	0.1	36.9	(i)	–	(i)
Ethernet Backhaul Direct extended reach	0.2	0.0	0.0	–	0.2	0.5	9.8%	0.0	0.2	2,340	circuits	100.28
Ethernet Backhaul Direct Active	39.0	(1.7)	5.1	–	42.4	83.5	9.8%	8.2	50.6	6,986	circuits	7,244.23
Ethernet Backhaul Direct Passive	10.6	2.6	(2.5)	0.1	10.8	91.3	9.8%	9.0	19.8	5,585	circuits	3,536.72
Ethernet Backhaul Direct Resilience Active	1.0	(0.1)	0.2	0.1	1.2	2.4	9.8%	0.2	1.4	2,255	circuits	620.24
Ethernet Backhaul Direct Resilience Passive	0.2	0.0	0.0	–	0.2	1.4	9.8%	0.1	0.3	1,927	circuits	188.21
Combi card broadband access	50.6	(10.1)	4.8	0.1	45.4	74.3	9.8%	7.3	52.7	4,679,753	lines	11.26
iNode features	1.5	0.0	0.0	–	1.5	3.8	9.8%	0.4	1.9	(i)	–	(i)
Core/Metro (broadband)	34.4	(3.0)	14.8	–	46.2	72.7	9.8%	7.1	53.3	82,279,099	circuits	0.65
Core Directors	0.5	0.0	0.2	–	0.7	1.1	9.8%	0.1	0.8	1,960,074	circuits	0.40
Edge Ethernet ports broadband	1.1	(0.1)	0.5	–	1.5	2.4	9.8%	0.2	1.7	75,047,471	bandwidth	0.02
Metro BRAS and MSE	30.3	(2.5)	12.6	(0.1)	40.3	63.1	9.8%	6.2	46.5	75,047,471	bandwidth	0.62
Broadband MSAN access	64.8	(11.7)	4.2	–	57.3	106.4	9.8%	10.4	67.7	4,679,905	rentals	14.47
Ethernet Switch BB	46.2	(2.2)	(4.7)	–	39.3	108.0	9.8%	10.6	49.9	75,047,471	circuits	0.66
MSAN Access – SFBB	4.9	(0.3)	(0.6)	0.0	4.0	12.7	9.8%	1.2	5.2	4,736,061	ports	1.12
Metro-core broadband transmission	13.6	(0.5)	1.9	–	15.0	38.6	9.8%	3.8	18.8	81,325,415	circuits	0.23
ADSL connections	0.1	–	–	–	0.1	0.0	9.8%	0.0	0.1	1,166,671	comms	0.05
OR Project Services	10.3	–	–	–	10.3	(0.9)	8.8%	(0.1)	10.2	(i)	–	(i)
Caller Display	1.8	0.0	0.2	–	2.0	2.6	9.8%	0.3	2.3	(i)	–	(i)

Appendix 1 – Network Activity Statements

Appendix 1.2 Network Activity Statements Consolidated (continued)

Restated for the year ended 31 March 2017 (b)

Fully Allocated Cost (£m)	HCA operating cost	Supplementary depreciation	Holding (gain)/loss and other CCA adjustments	Roundings	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Total operating costs and capital costs relating to current year		Volume (ii)	Average costs per min/unit on a current cost basis relating to current year	
								Capital costs	year		Units	
Network Features	2.4	0.0	0.2	–	2.6	3.3	9.8%	0.3	2.9	(i)	–	(i)
ATM customer interface 34Mbps	0.1	0.0	0.0	–	0.1	0.1	9.8%	0.0	0.1	1,048	ports	80.91
ATM customer interface > 155Mbps	0.5	0.0	0.0	–	0.5	0.8	9.8%	0.1	0.6	26,467	ports	22.61
ATM network interface	0.5	0.0	0.0	–	0.5	0.8	9.8%	0.1	0.6	2,452	ports	234.61
ATM network switching	1.9	0.0	0.0	0.1	2.0	3.0	9.8%	0.3	2.3	4,901	bandwidth	464.67
Inter ATM transmissions	4.1	0.8	(0.8)	–	4.1	25.0	9.8%	2.5	6.6	2,482	usage	2,633.88
PC rental 2Mbps link per km distribution	34.7	2.3	(2.3)	0.1	34.8	113.3	9.8%	11.1	45.9	899,713	km	50.97
Point of Handover electronics	5.1	0.1	(0.1)	0.1	5.2	12.0	9.8%	1.2	6.4	2,716	eq	2,336.49
PC rental 64Kbps link	7.6	0.1	0.0	–	7.7	10.4	9.8%	1.0	8.7	58,968	links	147.40
PC rental 2Mbps link	8.0	0.0	0.1	(0.1)	8.0	9.9	9.8%	1.0	9.0	54,515	links	165.35
PC rental 64Kbps link per km transmission	9.1	0.5	(0.5)	–	9.1	26.2	9.8%	2.6	11.7	1,688,685	km	6.90
2Mbps and above PC link connection cct provision	6.0	–	–	–	6.0	(0.2)	9.8%	0.0	6.0	701	circuits	8,520.96
64Kbps PC link connection cct provision	0.3	–	–	–	0.3	0.0	9.8%	0.0	0.3	133	circuits	2,610.35
PC rental 64Kbps link local end	19.4	0.3	0.0	–	19.7	29.1	9.8%	2.9	22.6	17,378	le	1,295.29
PC rental 2Mbps local end copper	3.2	0.0	0.0	–	3.2	3.2	9.8%	0.3	3.5	11,216	le	310.94
PC rental 2Mbps local end fibre	37.7	1.6	(2.7)	(0.1)	36.5	58.1	9.8%	5.7	42.2	76,624	le	551.12
Backhaul Extension Services Fibre	2.8	0.4	(0.6)	(0.1)	2.5	16.6	9.8%	1.6	4.1	4,149	le	992.95
Wholesale Extension Services Fibre	15.0	2.0	(3.5)	–	13.5	88.6	9.8%	8.7	22.2	22,185	le	998.88
Interconnect 2Mbps connection	5.4	–	–	–	5.4	(0.2)	9.8%	0.0	5.4	1,205	circuits	4,427.31
Interconnect extension circuits (IEC) 2Mbps link	0.6	0.0	0.0	–	0.6	0.7	9.8%	0.1	0.7	5,148	circuits	131.08
Interconnect Extension Circuits (IEC) 2Mbps per km	2.5	0.2	(0.2)	–	2.5	7.0	9.8%	0.7	3.2	109,784	km	28.90
Intra Building Circuit (IBC) connection	0.0	–	–	–	0.0	0.0	9.8%	0.0	0.0	1,440	circuits	2.48
Intra Building Circuit (IBC) rental	5.3	0.0	0.1	0.0	5.4	5.6	9.8%	0.6	6.0	53,517	circuits	111.71
Ethernet main links	44.6	20.9	(22.7)	0.1	42.9	599.7	9.8%	58.8	101.7	594,590	fibre km	170.91
Ethernet Electronics Current	13.1	0.2	0.0	0.0	13.3	16.4	9.8%	1.6	14.9	203,982	le	73.04
Customer support – Partial private circuits	11.8	–	–	–	11.8	6.4	9.8%	0.6	12.4	(i)	–	(i)
Customer support – Interconnect	2.7	–	–	–	2.7	0.4	9.8%	0.0	2.7	(i)	–	(i)
Customer support – Broadband	27.6	–	–	–	27.6	24.0	9.8%	2.4	30.0	(i)	–	(i)
Broadband backhaul circuits (excl Virtual Paths)	46.4	4.7	(4.8)	(0.1)	46.2	228.4	9.8%	22.4	68.6	(i)	–	(i)
OR Systems & Development – Ethernet	14.4	–	–	–	14.4	27.3	9.8%	2.7	17.1	374,033	le	45.51
Ofcom Administration Fee – Wholesale	1.2	–	–	–	1.2	0.0	9.8%	0.0	1.2	(i)	–	(i)
Ofcom Administration Fee – Openreach	2.9	–	–	–	2.9	0.1	9.8%	0.0	2.9	(i)	–	(i)
Special Fault Investigation	47.4	–	–	–	47.4	(2.5)	9.8%	(0.2)	47.2	(i)	–	(i)
Openreach sales product management	23.6	–	–	–	23.6	(12.8)	8.8%	(1.1)	22.5	(i)	–	(i)
Broadband line testing systems	2.0	–	–	–	2.0	2.4	9.8%	0.2	2.2	5,344,607	lines	0.43
DSLAM support	33.2	0.5	0.0	–	33.7	48.4	9.8%	4.7	38.4	2,662,715	lines	14.44
DSLAM equipment	11.6	–	–	–	11.6	16.2	9.8%	1.6	13.2	2,662,714	lines	4.97
Co-mingling power & vent	27.0	1.0	0.4	–	28.4	51.3	8.8%	4.5	32.9	29,035,110	hostels	1.13
Ethernet Access Direct Fibre	131.1	17.2	(30.5)	0.0	117.8	706.7	9.8%	69.3	187.1	243,072	circuits	769.61
Other Ethernet rentals – CCTV	1.7	–	–	–	1.7	(0.1)	9.8%	0.0	1.7	1,097	le	1,540.51
Ethernet Excess Construction Capex	17.5	–	–	–	17.5	57.8	9.8%	5.7	23.2	(i)	–	(i)
Ethernet Monitoring Platform	14.6	–	–	–	14.6	0.6	9.8%	0.1	14.7	37,802	circuits	388.77
SLG Ethernet Provision	51.6	–	–	–	51.6	1.1	9.8%	0.1	51.7	(i)	–	(i)
SLG Ethernet Assurance	0.4	–	–	–	0.4	0.0	9.8%	0.0	0.4	(i)	–	(i)
SLG WLR Provision	10.7	–	–	–	10.7	0.4	8.8%	0.0	10.7	(i)	–	(i)
SLG WLR Assurance	8.6	–	–	–	8.6	0.4	8.8%	0.0	8.6	(i)	–	(i)
Expedite Provision Costs	5.8	0.6	(0.8)	–	5.6	19.7	8.8%	1.7	7.3	88,162	lines	83.24
Combi card voice	0.0	0.0	0.0	–	0.0	0.0	8.8%	0.0	0.0	15,869,599	lines	0.00
Abortive Visits	10.0	0.9	(1.2)	0.0	9.7	32.8	8.8%	2.7	12.4	238,328	trans	52.22
EAD Electronics Capital	107.6	–	–	–	107.6	194.3	9.8%	19.0	126.6	188,797	circuits	670.69
SMP Accounting Separation components	827.0	13.8	(2.0)	–	838.8	2,491.3		244.1	1,082.9			
Residual components	1,417.2	1.5	7.9	0.1	1,426.7	326.9		31.6	1,458.3			
Roundings	0.2	0.1	0.5	(0.8)	0.0	(0.2)		–	0.0			
Total	5,255.9	216.2	(267.0)	0.0	5,205.1	14,391.4		1,330.8	6,535.9			

(i) This component is attributed on a % basis so no volume or unit cost is derivable

(ii) See glossary for volume unit descriptor

Appendix 2
Adjusted Performance Summary

Appendix 2 – Adjusted Performance Summary

Appendix 2.1 Adjusted Performance Summary

Ofcom's "Directions for Regulatory Financial Reporting" 30 March 2015 Annex 6 directed BT to prepare the "Adjusted Financial Performance at a market review level" statement in order to show the impact of certain adjustments. Of the adjustments specified, only the following have an impact at a market and technical areas level:

- Set the Net Replacement Cost (NRC) of PSTN Line Cards to £715m as from 31 March 2011 and adjust the NRC for the relevant Asset Volume Elasticity and a 5% cumulative reduction year on year. The impact of this will be within WLA.
- Set the Gross Replacement Cost (GRC) of Digital Subscriber Line Access Multiplexer (DSLAM) to the current replacement cost of DSLAM and set the NRC:GRC ratio at 50% in relation to the following assets:
 - Synchronous Digital Hierarchy (SDH)
 - DSLAM

and to depreciate the two assets over a 13 year period. The impact of this will be within WBA (Market A).

- Remove Other CCA adjustments in the WBA Market.
- Calculate the difference between WLR Basic and Premium to MPF Rentals (the "WLR minus MPF LRIC Differential").

Ofcom's Direction specifying the requirements in relation to additional reporting of information related to BT's adjusted financial performance, is set out on page 245 of Annex 35 of the 2016 BCMR Statement. It requires BT to prepare the "Adjusted Financial Performance at a market review level" statement showing the impact of the following adjustments on the Business Connectivity Markets:

- Calculating an average of property rationalisation costs incurred in the three prior financial years and attributing that three year average to the Business Connectivity Markets.
- Calculating an average of restructuring costs incurred in the three prior financial years and attributing that three year average to the Business Connectivity Markets.

The purpose of this schedule is to publish BT's estimate of the impact of Ofcom's regulatory decisions taken in WLA, WBA and Business Connectivity market reviews that were not required to be included within the RFS.

Appendix 2 – Adjusted Performance Summary

Appendix 2.2 Adjusted Performance Summary

For the year ended 31 March 2018

	As reported							
	Revenue £m	HCA Costs £m	CCA Adjustments £m	CCA Roundings £m	CCA Operating Costs £m	Return £m	MCE £m	Return on MCE %
Wholesale Local Access Markets	2,368	1,502	(41)	1	1,462	906	5,637	16.1%
Business Connectivity Markets	766	561	(20)	(3)	538	228	2,212	10.3%
Narrowband Markets	2,057	1,335	(36)	1	1,300	757	5,270	14.4%
Wholesale Broadband Markets	425	179	(3)	(1)	175	250	370	67.5%
Total SMP Markets	5,616	3,577	(100)	(2)	3,475	2,141	13,489	15.9%

Estimated impacts				
Revenue £m	CCA Operating Costs £m	Return £m	MCE £m	
–	(5)	5	(2)	
–	0	–	–	
–	5	(5)	211	
–	39	(39)	286	
–	39	(39)	495	

Revised return			
Revised Return £m	Revised MCE £m	Impact on Return on MCE Δ%	Revised Return on MCE %
911	5,635	0.1%	16.2%
228	2,212	–	10.3%
752	5,481	(0.7)%	13.7%
211	656	(35.4)%	32.1%
2,102	13,984	(0.9)%	15.0%

	Estimated impacts			
	Revenue £m	CCA Operating Costs £m	Return £m	MCE £m
Adjusted NRC for SDH	–	29	(29)	209
Adjusted NRC for DSLAMs	–	14	(14)	83
Adjusted NRC for line cards	–	–	–	203
Remove Other CCA Adjustments for WBA	–	(4)	4	–
Property Rationalisation	–	2	(2)	–
Restructuring Costs	–	(2)	2	–
	–	39	(39)	495

Appendix 2 – Adjusted Performance Summary

Appendix 2.3 Adjusted Performance Summary

Restated for the year ended 31 March 2017 (b)

	As reported							
	Revenue £m	HCA Costs £m	CCA Adjustments £m	CCA Roundings £m	CCA Operating Costs £m	Return £m	MCE £m	Return on MCE %
Wholesale Local Access Markets	2,201	1,452	(30)	1	1,423	778	5,130	15.2%
Business Connectivity Markets	839	552	(14)	1	539	300	2,182	13.8%
Narrowband Markets	2,148	1,303	(23)	(1)	1,279	869	5,338	16.3%
Wholesale Broadband Markets	402	179	(2)	1	178	224	384	58.5%
Total SMP Markets	5,590	3,486	(69)	2	3,419	2,171	13,034	16.7%

Estimated impacts			
Revenue £m	CCA Operating Costs £m	Return £m	MCE £m
–	(6)	6	(3)
–	4	(4)	–
–	6	(6)	202
–	33	(33)	308
–	37	(37)	507

Revised return			
Revised Return £m	Revised MCE £m	Impact on Return on MCE Δ%	Revised Return on MCE %
784	5,127	0.1%	15.3%
296	2,182	(0.2)%	13.6%
863	5,540	(0.7)%	15.6%
191	692	(30.8)%	27.7%
2,134	13,541	(0.9)%	15.8%

	Estimated impacts			
	Revenue	CCA Operating Costs	Return	MCE
	£m	£m	£m	£m
Adjusted NRC for SDH	–	28	(28)	208
Adjusted NRC for DSLAMs	–	9	(9)	106
Adjusted NRC for line cards	–	–	–	193
Remove Other CCA Adjustments for WBA	–	(4)	4	–
Property Rationalisation	–	–	–	–
Restructuring Costs	–	4	(4)	–
	–	37	(37)	507

Appendix 3
Time Related Charges and Special Fault Investigation Costs

Appendix 3 – Time Related Charges and Special Fault Investigation Cost

Appendix 3.1 Time Related Charges Costs Relating to WFAEL

For the year ended 31 March 2018

Volumes (hours) – Billed (exc volume deals)	
Normal hours	523,581
Other hours	Not available
Sunday/Bank Holiday hours	Not available
Total TRC hours	523,581
Total Direct Costs £ per hour	37.50

Note – TRCs are available outside of normal working hours and Sundays and Bank Holidays. It has not been possible to split TRC hours into normal, other, and Sunday/Bank Holidays for the purposes of this report. The “Normal hours” represents the number of visits plus the number of additional hours.

Appendix 3.2 Time Related Charges Costs Relating to WFAEL

Restated for the year ended 31 March 2017 (b)

Volumes (hours) – Billed (exc volume deals)	
Normal hours	601,745
Other hours	Not available
Sunday/Bank Holiday hours	Not available
Total TRC hours	601,745
Total Direct Costs £ per hour	38.22

Note – TRCs are available outside of normal working hours and Sundays and Bank Holidays. It has not been possible to split TRC hours into normal, other, and Sunday/Bank holidays for the purposes of this report. The “Normal hours” represents the number of visits plus the number of additional hours.

Appendix 3.3 Special Fault Investigation Costs Relating to Wholesale Local Access

For the year ended 31 March 2018

Module	Cost per module £m
Base	38.1
Network	4.1
Frame	0.6
Internal Wiring	0.4
Internal Equipment	0.6
Co-op	–
Frame Direct	0.7
	44.5

Note – Special Fault Investigation service costs includes all of the cost of the Special Fault Investigation component and some of the cost of other components e.g. Openreach Sales Product Management and Revenue Receivables.

Appendix 3.4 Special Fault Investigation Costs Relating to Wholesale Local Access

Restated for the year ended 31 March 2017 (b)

Module	Cost per module £m
Base	38.4
Network	5.9
Frame	0.8
Internal Wiring	0.4
Internal Equipment	0.7
Co-op	–
Frame Direct	1.3
Rounding	0.1
	47.6

Note – Special Fault Investigation service costs includes all of the cost of the Special Fault Investigation component and some of the cost of other components e.g. Openreach Sales Product Management and Revenue Receivables.

Appendix 3 – Time Related Charges and Special Fault Investigation Cost

Appendix 3.5 Ethernet Time Related Charges Costs

For the year ended 31 March 2018

Volumes (hours) – Billed (exc volume deals)

Normal hours	52,451
Other hours	Not available
Sunday/Bank Holiday hours	Not available
Total TRC hours	52,451

Total Direct Costs £ per hour **50.77**

Note – TRCs are available outside of normal working hours and Sundays and Bank Holidays. It has not been possible to split TRC hours into normal, other, and Sunday/Bank holidays for the purposes of this report. The “Normal hours” represents the number of visits plus the number of additional hours.

Appendix 3.6 Ethernet Time Related Charges Costs

Restated for the year ended 31 March 2017 (b)

Volumes (hours) – Billed (exc volume deals)

Normal hours	62,038
Other hours	Not available
Sunday/Bank Holiday hours	Not available
Total TRC hours	62,038

Total Direct Costs £ per hour **51.08**

Note – TRCs are available outside of normal working hours and Sundays and Bank Holidays. It has not been possible to split TRC hours into normal, other, and Sunday/Bank Holidays for the purposes of this report. The “Normal hours” represents the number of visits plus the number of additional hours.

Appendix 4
Reconciliation Report – Impact of Methodology Changes and Errors

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

4.1.1 Change Control Notification – amendments and additional methodologies

BT has an obligation most recently set out in SMP Condition 12.21 of Annex 33 of the 2018 Wholesale Local Access Statement, to publish all methodology changes that were implemented between the 2017 RFS published on 31 July 2017 and the 2018 RFS published on 31 July 2018. This obligation was met by the publication of the Change Control Notification (CCN), dated 31 March 2018.

Our CCN contained all the methodology changes we proposed and have implemented up to 31 March 2018.

4.1.2 Directions relating to the Reconciliation Report

Annex 33 to the WLA Statement sets out the requirements in relation to the Reconciliation Report and accompanying audit opinion in conditions 12.8 and 12.23. In relation to the Regulatory Accounting Methodology, BT is required to show:

- 1) the impact of all changes presented in the RFS, by setting out, on an aggregated basis, the difference between the Current Year Figures and the Current Year Figures had such changes not been made, expressed as an absolute amount and as a percentage change;
- 2) the impact of each Material Change at the Markets and Technical Areas Level, by setting out, for each Material Change separately, the difference between the Current Year Figures and the Current Year Figures had such Material Change not been made, expressed as an absolute amount and as a percentage change;
- 3) the impact of all other changes which are not Material Changes at the Markets and Technical Areas Level, by setting out, on an aggregated basis, the difference between the Current Year Figures and the Current Year Figures had such changes not been made, expressed as an absolute amount and as a percentage change.

In relation to Material Errors (as defined by Ofcom – refer section 4.1.5) identified since the publication of the previous Financial Year's RFS, BT is required to show:

- 1) for each Material Error, a description of the Material Error, the circumstances of discovery of the Material Error, the reason for the Material Error, and whether the Material Error has been corrected in the restated Prior Year Comparatives;
- 2) the impact of all Material Errors presented in the RFS for the previous Financial Year, by setting out, on an aggregated basis:
 - a) the Current Year Figures set out in the RFS for the previous Financial Year had such Material Errors been corrected in the previous Financial Year ("the Corrected Previous Year Figures"); and

- b) the difference as an absolute amount and as a percentage change between the Current Year Figures set out in the RFS for the previous Financial Year and the Corrected Previous Year Figures.
- 3) the impact of each Material Error at the Markets and Technical Areas Level, by setting out, for each Material Error, the difference as an absolute amount and as a percentage change between:
 - a) the Current Year Figures set out in the RFS for the previous Financial Year; and
 - b) the Current Year Figures set out in the RFS for the previous Financial Year had such Material Error been corrected in the previous Financial Year.

These requirements are met by the narrative and tables set out on pages 113–143.

4.1.3 Comparability of current and prior year results

This Appendix contains the Reconciliation Report which sets out changes to regulatory accounting methodologies for 2017/18 and the impact of such changes on the 2018 RFS. It also sets out the impact of errors subsequently identified in the 2017 RFS which exceed Ofcom's definition of materiality. The Reconciliation Report is prepared on the basis of preparation set out in Section 2 of these RFS except for the adjustments of methodologies and correction of errors described in sections 4.1.4 and 4.1.5 below.

This Appendix also includes restatement walks which show the impact of methodology changes and correction of identified errors which meet Ofcom's materiality threshold on the results for 2016/17 originally published on 31 July 2017. These walks are set out on pages 110, 111 and 112.

	Reference to 4.1.4 Methodology changes and 4.1.5 Error Corrected in Prior Year Comparatives	Wholesale Local Access Markets WLA £m	Business Connectivity Markets Low Bandwidth CISBO Rest of UK (previously 'CISBO Rest of UK') £m Low Bandwidth CISBO Combined Geographic (previously 'CISBO London Periphery') £m Low Bandwidth TISBO £m	Narrowband Markets WFAEL £m ISDN2 £m ISDN30 £m Fixed call origination £m Fixed geographic call termination £m Technical areas (Interconnect) £m							Wholesale Broadband Access Markets WBA (Market A) £m	Total SMP Markets £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m	Retail Residual £m	Eliminations £m	Roundings £m	Total Markets £m
2016/17 as originally published		2,137	775	28	201	1,607	95	176	167	11	26	382	5,605	2,738	(1,017)	- 7,326	21,384	(4,647)	(1)	24,062
CCN Methodologies																				
Reorganisation and market review changes																				
Change of Market Structure for CISBO markets		-	(164)	3	-	-	-	-	-	-	-	-	(161)	161	-	-	-	-	-	-
Change of Market Structure for WFAEL and ISDN markets		-	-	-	-	(14)	2	12	-	-	-	-	-	-	-	-	-	-	-	-
Change of Market Structure for the Calls market and Technical Areas (Interconnect Circuits)		-	-	-	-	-	-	-	-	-	(20)	-	(20)	20	-	-	-	-	-	-
Reorganisation and market review changes		-	(164)	3	-	(14)	2	12	-	-	(20)	-	(181)	181	-	-	-	-	-	-
Methodology Changes proposed by Ofcom																				
Ancillary Services	VI	64	-	-	-	86	2	-	-	-	-	-	152	(143)	-	-	9	-	(9)	-
Methodology Changes proposed by Ofcom		64	-	-	-	86	2	-	-	-	-	-	152	(143)	-	-	9	-	(9)	-
Methodology changes proposed by BT																				
WBA Accuracy	XXI	-	-	-	-	-	-	-	-	-	-	20	20	(7)	-	-	13	-	(14)	1
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	1	2	-	-	-	3	(186)	-	-	(183)	(102)	287	(2)
Cumulative non-material changes, interactions and roundings		-	-	-	-	(1)	(1)	1	(4)	-	-	-	(5)	(11)	-	1	(15)	(2)	16	1
Methodology Changes proposed by BT		-	-	-	-	(1)	(1)	1	(3)	2	-	20	18	(204)	-	1	(185)	(104)	289	-
Total CCN Methodologies		64	(164)	3	-	71	3	13	(3)	2	(20)	20	(11)	(166)	-	1	(176)	(104)	280	-
Changes due to Errors Corrected in Prior Year Comparatives																				
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	(1)	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	44	-	-	44	-	(44)	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	(5)	1	-	-	-	-	-	-	-	-	(4)	4	-	-	-	-	-	-
CCA	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(2)	-
Changes due to Errors Corrected in Prior Year Comparatives		-	(5)	1	-	-	-	-	-	-	-	-	(4)	48	1	-	45	2	(47)	-
Total changes		64	(169)	4	-	71	3	13	(3)	2	(20)	20	(15)	(118)	1	1	(131)	(102)	233	-
2016/17 as restated		2,201	606	32	201	1,678	98	189	164	13	6	402	5,590	2,620	(1,016)	1 7,195	21,282	(4,414)	(1)	24,062

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Impact of Changes on Operating Costs

		Reference to 4.1.4 Methodology changes and 4.1.5 Error Corrected in Prior Year Comparatives	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets						Wholesale Broadband Access Markets										
			WLA	Low Bandwidth CISBO Rest of UK (previously 'CISBO Rest of UK')	Low Bandwidth CISBO Combined Geographic (previously 'CISBO London Periphery')	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets		
			£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
2016/17 as originally published			1,383	478	14	145	983	38	71	115	79	22	176	3,504	2,856	(1,017)	1	5,344	20,197	(4,647)	1	20,895		
CCN Methodologies																								
Reorganisation and market review changes																								
Change of Market Structure for CISBO markets			-	(123)	-	-	-	-	-	-	-	-	-	(123)	123	-	-	-	-	-	-	-		
Change of Market Structure for WFAEL and ISDN markets			-	-	-	-	(8)	1	7	-	-	-	-	(15)	15	-	-	-	-	-	-	-		
Change of Market Structure for the Calls market and Technical Areas (Interconnect Circuits)			-	-	-	-	-	-	-	-	-	(15)	-	(15)	-	-	-	-	-	-	-	-		
Reorganisation and market review changes			-	(123)	-	-	(8)	1	7	-	-	(15)	-	(138)	138	-	-	-	-	-	-	-		
Methodology Changes proposed by Ofcom																								
Proceeds from Sale of Property			II	(1)	-	(1)	(1)	-	-	(1)	(1)	-	-	(5)	(2)	-	(1)	(8)	8	-	-	-		
Access Fibre Allocation to SMP markets			III	6	(4)	-	-	-	(1)	-	-	-	1	1	(1)	-	-	-	-	-	-	-		
Ancillary Services			VI	60	-	-	24	3	1	-	-	-	1	89	(89)	-	-	-	9	(9)	-	-		
Methodology Changes proposed by Ofcom				65	(4)	-	(1)	23	3	-	(1)	(1)	-	1	85	(92)	-	(1)	(8)	17	(9)	-		
Methodology changes proposed by BT																								
Fibre CCA Indexation			VII	-	7	-	1	-	(1)	-	-	-	3	10	(5)	-	-	5	(2)	-	-	3		
ISDN Fault Rates			VIII	-	-	-	-	1	-	-	-	-	-	1	-	(1)	-	-	-	-	-	-		
Ethernet Electronics			IX	-	29	2	-	-	-	-	-	-	-	31	(31)	-	-	-	-	-	-	-		
Remote Testing Platform			X	-	(10)	-	-	-	-	-	-	-	-	(10)	(1)	-	(1)	(12)	12	-	-	-		
Ethernet Backhaul Direct (EBD) Component to Service			XI	-	8	-	-	-	-	-	-	-	-	8	(9)	-	1	-	-	-	-	-		
Removal of Rule Type 4, 6 and 12 Apportionments and Associated Inclusion Lists			XII	(15)	(4)	-	(1)	(13)	-	-	(3)	-	-	(36)	(5)	-	(1)	(42)	42	-	-	-		
Removal of Activity Groups			XIII	-	(3)	-	(1)	3	-	-	-	-	-	(1)	1	-	1	1	(1)	-	-	-		
Internal Trades Removal and TSO Re-organisation			XV	-	-	-	-	-	-	-	-	-	-	-	(55)	-	-	(55)	55	-	-	-		
WBA Accuracy			XXI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14	(14)	-	-		
Wholesale Calls Volume and Price Review			XXII	-	-	-	-	-	-	(5)	8	-	-	3	(3)	-	-	-	(288)	288	-	-		
Cost Allocations to Residual Services			XXIII	-	-	-	-	-	-	-	-	-	1	1	(3)	-	-	(2)	2	-	-	-		
Transfer Charge and Retail Residual Simplification			XXIV	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	-	-	(1)	-		
Cumulative non-material changes, interactions and roundings			XXV	(7)	1	1	2	(7)	(2)	(2)	(3)	(2)	(1)	(2)	(22)	11	-	1	(10)	-	15	(1)	4	
Methodology Changes proposed by BT				(22)	28	3	1	(17)	(1)	(3)	(11)	6	(1)	2	(15)	(99)	-	-	(114)	(166)	289	(2)	7	
Total CCN Methodologies				43	(99)	3	0	(2)	3	4	(12)	5	(16)	3	(68)	(53)	-	(1)	(122)	(149)	280	(2)	7	
Changes due to Errors Corrected in Prior Year Comparatives																								
Tie Cables			I	-	-	-	-	-	-	-	-	-	(1)	(1)	-	1	-	-	1	(1)	-	-		
Residual WBA Volumes			II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44	(44)	-	-		
Time Related Charges (TRC)			III	-	1	-	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Ethernet Revenue			IV	-	(3)	1	-	-	-	-	-	-	-	(2)	2	-	-	-	-	-	-	-		
CCA			V	(3)	-	-	(1)	(9)	(1)	-	-	-	-	(14)	(2)	-	-	(16)	-	-	-	(16)		
Interconnect Revenue			VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
Ofcom Administration Fee			VII	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	1	-	-	-		
EE Call Volumes			VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(2)	-	-	-		
Changes due to Errors Corrected in Prior Year Comparatives				(3)	(2)	1	(1)	(10)	(1)	-	-	-	(1)	(17)	-	1	(1)	(17)	48	(47)	-	(16)		
Total changes				40	(101)	4	(1)	(12)	2	4	(12)	5	(16)	2	(85)	(53)	1	(2)	(139)	(101)	233	(2)	(9)	
2016/17 as restated				1,423	377	18	144	971	40	75	103	84	6	178	3,419	2,803	(1,016)	(1)	5,205	20,096	(4,414)	(1)	20,886	

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Impact of Changes on Mean Capital Employed (MCE)

	Reference to 4.1.4 Methodology changes and 4.1.5 Error Corrected in Prior Year Comparatives	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets						Wholesale Broadband Access Markets								
		WLA £m	Low Bandwidth CISBO Rest of UK (previously 'CISBO Rest of UK')	Low Bandwidth CISBO Combined Geographic (previously 'CISBO London Periphery')	Low Bandwidth TISBO	WFAEL £m	ISDN2 £m	ISDN30 £m	Fixed call origination £m	Fixed geographic call termination £m	Technical areas (Interconnect) £m	WBA (Market A) £m	Total SMP Markets £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m	Retail Residual £m	Eliminations £m	Roundings £m	Total Markets £m
2016/17 as originally published		4,817	2,011	44	339	4,598	145	209	159	118	25	373	12,838	1,296	-	-	14,134	17,222	-	1	31,357
CCN Methodologies																					
Reorganisation and market review changes																					
Change of Market Structure for CISBO markets		-	(334)	2	-	-	-	-	-	-	-	-	(332)	332	-	-	-	-	-	-	-
Change of Market Structure for WFAEL and ISDN markets		-	-	-	-	(10)	1	9	-	-	-	-	-	-	-	-	-	-	-	-	-
Change of Market Structure for the Calls market and Technical Areas (Interconnect Circuits)		-	-	-	-	-	-	-	-	-	(18)	-	(18)	18	-	-	-	-	-	-	-
Reorganisation and market review changes		-	(334)	2	-	(10)	1	9	-	-	(18)	-	(350)	350	-	-	-	-	-	-	-
Methodology Changes proposed by Ofcom																					
Access Fibre Allocation to SMP markets	III	53	(40)	-	(3)	-	-	(6)	-	-	-	-	4	(4)	-	-	-	-	-	-	-
Ancillary Services	VI	18	-	-	-	10	-	-	-	-	-	-	28	(28)	-	-	-	-	-	-	-
Methodology Changes proposed by Ofcom		71	(40)	-	(3)	10	-	(6)	-	-	-	-	32	(32)	-	-	-	-	-	-	-
Methodology changes proposed by BT																					
Fibre CCA Indexation	VII	89	82	4	5	-	-	10	-	-	-	(4)	186	8	-	-	194	6	-	-	200
Ethernet Electronics	IX	-	42	3	-	-	-	-	-	-	-	-	45	(44)	-	(1)	-	-	-	-	-
Ethernet Backhaul Direct (EBD) Component to Service	XI	-	17	1	-	-	-	-	-	-	-	-	18	(17)	-	(1)	-	-	-	-	-
Removal of Rule Type 4, 6 and 12 Apportionments and Associated Inclusion Lists	XII	17	(11)	(1)	12	39	4	6	14	10	2	8	100	79	-	(1)	178	(177)	-	(1)	-
Removal of Activity Groups	XIII	(6)	(2)	-	(2)	(6)	-	-	(1)	(1)	-	-	(18)	-	-	(1)	(19)	19	-	-	-
Working Capital	XIV	141	13	-	5	28	1	4	5	2	(1)	7	205	(290)	-	-	(85)	84	-	1	-
Internal Trades Removal and TSO Re-organisation	XV	-	-	-	(1)	-	-	-	-	-	-	-	(1)	(6)	-	-	(7)	8	-	(1)	-
BDUK	XX	(3)	1	-	-	-	-	-	-	-	-	-	(2)	-	-	2	-	-	-	-	-
WBA accuracy	XXI	-	-	-	-	-	-	-	-	-	-	2	2	(2)	-	-	-	-	-	-	-
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	-	(14)	11	2	-	(1)	1	-	-	-	-	-	-	-
Transfer Charge and Retail Residual Simplification	XXV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative non-material changes, interactions and roundings		3	1	4	(4)	(10)	(1)	(3)	(1)	(1)	(2)	(2)	(16)	4	-	2	(10)	7	-	2	(1)
Methodology Changes proposed by BT		241	143	11	15	51	4	17	3	21	1	11	518	(267)	-	-	251	(53)	-	1	199
Total CCN Methodologies		312	(231)	13	12	51	5	20	3	21	(17)	11	200	51	-	-	251	(53)	-	1	199
Changes due to Errors Corrected in Prior Year Comparatives																					
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	2	(2)	-	-	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	(9)	3	-	-	-	-	-	-	-	-	(6)	6	-	-	-	-	-	-	-
CCA	V	1	-	-	-	1	-	-	-	-	-	-	2	2	-	-	4	-	-	(1)	3
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Changes due to Errors Corrected in Prior Year Comparatives		1	(9)	3	-	1	-	-	-	-	-	-	(4)	10	-	-	6	(2)	-	(1)	3
Total changes		313	(240)	16	12	52	5	20	3	21	(17)	11	196	61	-	-	257	(55)	-	-	202
2016/17 as restated		5,130	1,771	60	351	4,650	150	229	162	139	8	384	13,034	1,357	-	-	14,391	17,167	-	1	31,559

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

4.1.4 Methodology changes

The impacts of material methodology changes as defined by Ofcom (i.e. resulting in a change, be it positive or negative, of any figure in the RFS which exceeds the higher of 5% or £1m) on 2017/18 results are detailed in the tables: Impact of Methodology Changes on Revenue, Impact of Methodology Changes on Operating Costs and Impact of Methodology Changes on Mean Capital Employed on pages 116 to 121. We have also published the Performance Summary by Market on a revised basis on page 122 and Attribution of Wholesale Current Cost and Attribution of Wholesale Mean Capital Employed on pages 125 and 128. Where there is an impact from these methodology changes on the 2016/17 results, they can be found on pages 110, 111 and 112.

I. *Cumulo Rates*

Ofcom's WLA Market Review directed we change our Cumulo methodology in response to a change in the form of the Cumulo rates bill set by the rating office. This revised methodology uses the revised rateable values that incorporates a split of Fibre to the Cabinet (FTTC) and Fibre to the Premises (FTTP). See CCN 2018 reference 3.04.

II. *Proceeds from the Sale of Property*

Ofcom's WLA Market Review directed we change our methodology for the allocation of proceeds from the disposal of property so they are allocated on the same basis as the underlying costs for that property. See CCN 2018 reference 3.05.

III. *Access Fibre Allocation to SMP markets*

Ofcom's WLA Market Review directed we change our methodology for the allocation of access fibre distribution costs between FTTC, FTTP and non-GEA (Generic Ethernet Access) services so costs are based on physical consumption of fibre assets rather than rental volumes. See CCN 2018 reference 3.06.

IV. *Accommodation Plant Access Services Division Equipment only (ACPA)*

Ofcom's WLA Market Review directed we change our methodology for the allocation of GEA power and accommodation charges. Historically both GEA and LLU assets were grouped in the ACPA (Accommodation Plant Access Services Division) Class of Work (CoW). The costs for GEA assets are now reallocated to the LFME (Local Network Service Module Equipment) CoW. See CCN 2018 reference 3.07.

V. *Excess Construction Charges (ECC)*

Ofcom's BCMR Revocation Notification and BCMR Temporary Conditions directed we change our methodology for calculating capital expenditure for ECCs. Historically we assumed that costs were equal to the price of the job. We have identified a data source which provides information in respect of the actual expenditure and allocated the costs based on the volume of work performed across the network. See CCN 2018 reference 3.08.

VI. *Ancillary Services*

We have moved ancillary services including: Broadband Boost including Fibre Broadband Boost and Superfast Recharge, Abortive Visit Charges, Superfast Visit Assure, GEA in-tariff and premium repair – SML 2, 3 and 4, Expedite Repair and Expedite Provision from Wholesale Residual into the SMP Markets. As a result we have identified improvements to existing methodologies. We have therefore changed our allocation between GEA and non-GEA services to be based on a combination of volumes, task time and labour rates. See CCN 2018 reference 3.09. The original estimate to costs and MCE for WLA has been updated.

VII. *Fibre CCA Indexation*

We have changed our methodology for the valuation of fibre assets from absolute valuation based on volumes of physical assets to an indexed historical valuation, in line with other long life infrastructure assets such as Duct and Copper, using a CPI index applied to the asset base. See CCN 2018 reference 3.10. The impact of this methodology change has been larger than that shown in the CCN. This is because the original estimate to costs for WLA and MCE for WLA and CISBO Rest of UK have been updated.

VIII. *ISDN Fault Rates*

We have changed our methodology to use static ISDN fault rates (in line with other SMP markets) rather than annual volume and fault rate data. This methodology change had an impact in revenue, costs and MCE of <£1m. See CCN 2018 reference 3.11.

IX. *Ethernet Electronics*

We have changed our methodology for allocating Ethernet equipment costs to separate out the individual component ledger costs rather than blending the costs for the different bandwidths. See CCN 2018 reference 3.12.

X. *Remote Testing Platform*

We changed the methodology for allocating costs for the Digital Communication Network to use the number of management link ports as the basis of attribution, and reallocating the recognition of margin on these costs to Retail Residual. See CCN 2018 reference 3.13.

XI. *Ethernet Backhaul Direct (EBD) Component to Service*

We have used 21CN current usage data rather than forecast data to allocate transmission electronic costs. The allocation of fibre costs has also been updated to take account of the various fibre lengths used. See CCN 2018 reference 3.14.

XII. *Removal of Rule Type 4, 6 and 12 Apportionments and Associated Inclusion Lists*

We have simplified our methodology by removing some allocation rules, and direct more costs and MCE using previously allocated costs and activity groups. See CCN 2018 reference 3.15.

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

XIII. Removal of Activity Groups

We have changed our methodology to remove ten activity groups and replace these with apportionment models or similar activity groups. See CCN 2018 reference 3.16.

XIV. Working Capital

We have changed our methodology to ensure all BDUK net current assets are aligned to the WLA market. Notional revenue receivables are allocated to Wholesale Residual based on the same methodology as the SMP Markets. Notional revenue receivable days are based on ledgered balances rather than payment assumptions. See CCN 2018 reference 3.17.

XV. Internal Trades Removal and TSO re-organisation

Internal trades between TSO and Openreach have been simplified as part of BT Group process improvements. New source data for TSO trades will allow the apportionments to remain materially unchanged. See CCN 2018 reference 3.18.

XVI. Wholesale Residual Capitalisation

We have changed our methodology to recognise capitalisation credits against the original costs. See CCN 2018 reference 3.19.

XVII. LRIC Simplification and Cost Volume Relationship (CVR) Review

We have updated our LRIC markers to remove the need for manual adjustments in the LRIC model. We have reduced the LRIC model dependency tree to improve transparency. We have updated our methodologies and data sources for Duct, 21CN and Accommodation CVRs used in the LRIC model. This change has no impact on our 2016/17 RFS results. See CCN 2018 reference 3.20.

XVIII. Service Level Guarantees (SLG)

We have changed our methodology to update the allocation of SLG compensation payments between provision and repair services to use market specific allocation data. See CCN 2018 reference 3.21.

XIX. Openreach CCTV

We have changed our methodology to use actual costs for the allocation of the CCTV component so costs will be allocated to internal and external services, and for bandwidths up to and including 1Gbps. See CCN 2018 reference 3.22.

XX. BDUK

We have changed our methodology to better align our depreciation charge to the fixed asset register and better align costs relating to capitalised costs to BDUK rental services. See CCN 2018 reference 3.23.

XXI. WBA Accuracy

We have changed our methodology to allocate costs based on external prices rather than internal prices, to use a single source for volume assumptions, and to split rebates based on actual data rather than assumptions. See CCN 2018 reference 3.24.

XXII. Wholesale Calls and Volume Price Review

We have changed our methodologies for Wholesale Calls. The ported call termination methodology has been updated to remove an assumption and replace with a data source, a static price for external calls revenue has been replaced with fully allocated cost (FAC), and volumes for Voice over Internet Protocol (VoIP) have been made available and can be used to separate out their allocation from Time-division multiplexing (TDM) services. See CCN 2018 reference 3.25. The original estimate for the IPX mapping omitted the movement in Eliminations of internal revenue through costs.

XXIII. Cost Allocations to Residual Services

We have updated our cost allocation to Wholesale and Retail Residual Services to incorporate new data, increasing the accuracy of apportionments to residual products. See CCN 2018 reference 3.26.

XXIV. Apportionment Model Optimisation

We have removed redundant or immaterial apportionment model methodologies. This methodology change had an impact in revenue, costs and MCE of <£1m. See CCN 2018 reference 3.27.

XXV. Transfer Charge and Retail Residual Simplification

We have updated our methodologies to recognise internal trading that previously net to nil in the SMP Markets in Retail Residual. We have simplified the number of product codes in our cost allocation system, REFINE. See CCN 2018 reference 3.28.

Methodology changes not reversed in reconciliation appendix

All of these methodology changes are included in the restated results within these RFS. There are several changes which we included in our CCN which we have not reversed in the methodology reversal results shown below on pages 116-121. These, and the associated rationale for them not being reversed, are discussed below.

Change of market structure for CISBO markets (CCN reference 3.01), change of market structure for WFAEL and ISDN markets (CCN reference 3.02) and change of market structure for the Calls market and Technical Areas (Interconnect Circuits) (CCN reference 3.03); these were implemented as Ofcom-driven market redefinitions rather than changes in methodology, so they have not been reversed as part of this report.

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Cumulo rates (CCN reference 3.04); this change was as a result of a change in the format of the Cumulo bill for 2017/18. It is not possible to revert to the previous format of the Cumulo bill for 2017/18. Therefore this change has not been reversed.

ACPA (CCN reference 3.07); the methodology change was made in the Openreach general ledger in 2017/18. It has therefore not been possible to reverse this change.

Internal trades removal and TSO re-organisation (CCN reference 3.18) and transfer charge and retail residual simplification (CCN reference 3.28); these methodology changes have not been reversed as they relate to the way BT trades internally and group re-organisations which are not appropriate to reverse in this report.

Wholesale Residual capitalisation (CCN reference 3.19), Openreach CCTV (CCN reference 3.22) and BDUK (CCN reference 3.23); these changes have aligned our methodologies to the Group's underlying financial data so it is therefore not appropriate to reverse in this report.

LRIC Simplification and CVR review (CCN reference 3.20); this methodology change only affected additional financial information provided to Ofcom privately (LRIC) rather than any figures relevant to the RFS.

EBD Component to Service (CCN reference 3.14); this methodology change was only partly reversed. As the most impactful part of the change included within the CCN was to use a new data source rather than one that is no longer available, it is no longer possible to recreate the data source and reverse the change in full.

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Reconciliation statement impacts

Impact of Methodology Changes on Revenue £m

	Reference to 4.1.4 Methodology changes	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets						Wholesale Broadband Access Markets								
		WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2018 published RFS		2,368	578	31	157	1,644	88	165	143	11	6	425	5,616	2,607	(1,079)	1	7,145	20,950	(4,372)	-	23,723
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	-	1	(4)	-	-	(3)	44	-	-	41	129	(170)	-	-
Ancillary Services	VI	(56)	-	-	-	(95)	(3)	-	-	-	-	-	(154)	154	-	-	-	-	-	-	-
WBA accuracy	XXI	-	-	-	-	-	-	-	-	-	-	(3)	(3)	19	-	-	16	(16)	-	-	-
Access Fibre allocation to SMP markets	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Fibre CCA indexation	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Excess Construction Charges (ECCs)	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remote Testing Platform	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics	IX	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Backhaul Direct (EBD) Component to Service	XI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost allocations to Residual Services	XXIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Property	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of Activity Groups	XIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service Level Guarantees	XVIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital	XIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of Rule Type 4, 6 and 12																					
Apportionments and associated Inclusion Lists	XII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cumulative non-material changes, interactions and roundings		-	-	-	-	-	-	-	1	-	-	(1)	-	1	-	(1)	-	-	-	-	-
2018 RFS using 2017 methodologies		2,312	578	31	157	1,549	85	165	145	7	6	421	5,456	2,825	(1,079)	-	7,202	21,063	(4,542)	-	23,723

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Reconciliation statement impacts (continued)

Impact of Methodology Changes on Revenue %

	Reference to 4.1.4 Methodology changes	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets						Wholesale Broadband Access Markets								
		WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2018 published RFS		2,368	578	31	157	1,644	88	165	143	11	6	425	5,616	2,607	(1,079)	1	7,145	20,950	(4,372)	–	23,723
Wholesale Calls Volume and Price Review	XXII	–	–	–	–	–	–	–	1%	(36)%	–	–	–	2%	–	–	1%	1%	4%	–	–
Ancillary Services	VI	(2)%	–	–	–	(6)%	(3)%	–	–	–	–	–	(3)%	6%	–	–	–	–	–	–	–
WBA accuracy	XXI	–	–	–	–	–	–	–	–	–	–	(1)%	–	1%	–	–	–	–	–	–	–
Access Fibre allocation to SMP markets	III	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Fibre CCA indexation	VII	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Excess Construction Charges (ECCs)	V	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Remote Testing Platform	X	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Electronics	IX	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Ethernet Backhaul Direct (EBD) Component to Service	XI	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Cost allocations to Residual Services	XXIII	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Proceeds from Sale of Property	II	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Removal of Activity Groups	XIII	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Service Level Guarantees	XVIII	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Working Capital	XIV	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Removal of Rule Type 4, 6 and 12 Apportionments and associated Inclusion Lists	XII	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Cumulative non-material changes, interactions and roundings		–	–	–	–	–	–	–	1%	–	–	–	–	–	–	(100)%	–	–	–	(100)%	–
2018 RFS using 2017 methodologies		(2)%	0%	0%	0%	(6)%	(3)%	0%	2%	(36)%	0%	(1)%	(3)%	9%	0%	(100)%	1%	1%	4%	(100)%	0%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Reconciliation statement impacts (continued)

Impact of Methodology Changes on Operating Costs £m

	Reference to 4.1.4 Methodology changes	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets						Wholesale Broadband Access Markets									
		WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets	
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	
2018 published RFS		1,462	392	18	128	998	40	72	99	85	6	175	3,475	2,331	(1,079)	(1)	4,726	19,946	(4,372)	-	20,300	
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	-	21	(21)	-	-	-	1	-	(1)	-	170	(170)	-	-	
Ancillary Services	VI	(55)	-	-	-	(37)	-	-	-	-	-	-	(92)	92	-	-	-	-	-	-	-	
WBA accuracy	XXI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Access Fibre allocation to SMP markets	III	(7)	6	-	(1)	-	-	-	-	-	-	2	-	-	-	-	-	-	-	-	-	
Fibre CCA indexation	VII	(10)	(20)	-	(4)	-	-	(5)	(1)	(1)	-	(3)	(44)	(11)	-	-	(55)	-	-	-	(55)	
Excess Construction Charges (ECCs)	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Remote Testing Platform	X	-	11	1	-	-	-	-	-	-	-	-	12	-	-	-	12	(12)	-	-	-	
Ethernet Electronics	IX	-	(29)	(2)	-	-	-	-	-	-	-	-	(31)	32	-	(1)	-	-	-	-	-	
Ethernet Backhaul Direct (EBD) Component to Service	XI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Cost allocations to Residual Services	XXIII	-	-	-	-	-	-	-	-	-	-	(1)	(1)	1	-	-	-	-	-	-	-	
Proceeds from Sale of Property	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	1	-	-	-	
Removal of Activity Groups	XIII	5	5	-	1	2	-	1	1	1	-	-	16	3	-	-	19	(19)	-	-	-	
Service Level Guarantees	XVIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Working Capital	XIV	(1)	-	-	-	-	-	-	-	-	-	-	(1)	(1)	-	-	(2)	2	-	-	-	
Removal of Rule Type 4, 6 and 12 Apportionments and associated Inclusion Lists	XII	(5)	4	(1)	4	3	3	2	2	-	-	1	13	58	-	-	71	(70)	-	-	1	
Cumulative non-material changes, interactions and roundings		-	-	-	-	-	-	1	-	-	-	-	1	-	-	2	3	1	-	1	5	
2018 RFS using 2017 methodologies		1,389	369	16	128	966	43	71	122	64	6	174	3,348	2,506	(1,079)	(2)	4,773	20,019	(4,542)	1	20,251	

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Reconciliation statement impacts (continued)

Impact of Methodology Changes on Operating Costs %

	Reference to 4.1.4 Methodology changes	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets									
		WLA	Low Bandwidth CSBO Rest of UK	Low Bandwidth CSBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2018 published RFS		1,462	392	18	128	998	40	72	99	85	6	175	3,475	2,331	(1,079)	(1)	4,726	19,946	(4,372)	-	20,300
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	-	21%	(25)%	-	-	-	-	-	100%	-	1%	4%	-	-
Ancillary Services	VI	(4)%	-	-	-	(4)%	-	-	-	-	-	-	(3)%	4%	-	-	-	-	-	-	-
WBA accuracy	XXI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Access Fibre allocation to SMP markets	III	-	2%	-	(1)%	-	-	-	-	-	-	1%	-	-	-	-	-	-	-	-	-
Fibre CCA indexation	VII	(1)%	(5)%	-	(3)%	-	-	(7)%	(1)%	(1)%	-	(2)%	(1)%	-	-	-	(1)%	-	-	-	-
Excess Construction Charges (ECCs)	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remote Testing Platform	X	-	3%	6%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics	IX	-	(7)%	(11)%	-	-	-	-	-	-	-	-	(1)%	1%	-	100%	-	-	-	-	-
Ethernet Backhaul Direct (EBD) Component to Service	XI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost allocations to Residual Services	XXIII	-	-	-	-	-	-	-	-	-	-	(1)%	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Property	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	100%	-	-	-	-	-
Removal of Activity Groups	XIII	-	1%	-	1%	-	-	1%	1%	1%	-	-	-	-	-	-	-	-	-	-	-
Service Level Guarantees	XVIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital	XIV	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of Rule Type 4, 6 and 12 Apportionments and associated Inclusion Lists	XII	-	1%	(6)%	3%	-	8%	3%	2%	-	-	1%	-	2%	-	-	2%	-	-	-	-
Cumulative non-material changes, interactions and roundings		-	-	-	-	-	-	1%	-	-	-	-	-	-	-	(200)%	-	-	-	-	-
2018 RFS using 2017 methodologies		(5)%	(5)%	(11)%	0%	(4)%	8%	(2)%	23%	(25)%	0%	(1)%	(5)%	7%	0%	100%	1%	1%	4%	-	0%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Reconciliation statement impacts (continued)

Impact of Methodology Changes on MCE £m

	Reference to 4.1.4 Methodology changes	Wholesale Local Access Markets	Business Connectivity Markets				Narrowband Markets					Wholesale Broadband Access Markets									
		WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2018 published RFS		5,637	1,869	63	280	4,638	134	207	152	132	7	370	13,489	1,258	-	(1)	14,746	17,368	-	-	32,114
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	-	30	(30)	-	-	-	3	-	-	3	(3)	-	-	-
Ancillary Services	VI	(23)	-	-	-	(11)	-	-	-	-	-	-	(34)	34	-	-	-	-	-	-	
WBA accuracy	XXI	-	-	-	-	-	-	-	-	-	-	-	-	1	-	-	1	(1)	-	-	
Access Fibre allocation to SMP markets	III	(110)	80	2	4	-	-	10	-	-	-	-	(14)	14	-	-	-	-	-	-	
Fibre CCA indexation	VII	(96)	(86)	(3)	2	-	-	(4)	1	1	-	6	(179)	7	-	-	(172)	-	-	(172)	
Excess Construction Charges (ECCs)	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Remote Testing Platform	X	-	1	-	-	-	-	-	-	-	-	-	1	1	-	-	2	(2)	-	-	
Ethernet Electronics	IX	1	(66)	(4)	-	1	-	-	-	-	-	-	(68)	68	-	-	-	-	-	-	
Ethernet Backhaul Direct (EBD) Component to Service	XI	-	(1)	-	-	-	-	-	-	-	-	-	(1)	1	-	-	-	-	-	-	
Cost allocations to Residual Services	XXIII	-	(1)	-	-	-	-	-	-	-	-	(1)	(2)	2	-	-	-	-	-	-	
Proceeds from Sale of Property	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Removal of Activity Groups	XIII	17	4	-	2	9	-	1	1	1	-	1	36	9	-	-	45	(45)	-	-	
Service Level Guarantees	XVIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Working Capital	XIV	(113)	(13)	-	(5)	(32)	(2)	(3)	(4)	(2)	-	(8)	(182)	268	-	-	86	(86)	-	-	
Removal of Rule Type 4, 6 and 12 Apportionments and associated Inclusion Lists	XII	(61)	29	1	(8)	(30)	(2)	(4)	(16)	(13)	-	(9)	(113)	(108)	-	-	(221)	221	-	-	
Cumulative non-material changes, interactions and roundings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	1	1	-	-	
2018 RFS using 2017 methodologies		5,252	1,816	59	275	4,575	130	207	164	89	7	359	12,933	1,558	-	-	14,491	17,453	-	-	

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Reconciliation statement impacts (continued)

Impact of Methodology Changes on MCE %

	Reference to 4.1.4 Methodology changes	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets									
		WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2018 published RFS		5,637	1,869	63	280	4,638	134	207	152	132	7	370	13,489	1,258	-	(1)	14,746	17,368	-	-	32,114
Wholesale Calls Volume and Price Review	XXII	-	-	-	-	-	-	-	20%	(23)%	-	-	-	-	-	-	-	-	-	-	-
Ancillary Services	VI	-	-	-	-	-	-	-	-	-	-	-	-	3%	-	-	-	-	-	-	-
WBA accuracy	XXI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Access Fibre allocation to SMP markets	III	(2)%	4%	3%	1%	-	-	5%	-	-	-	-	-	1%	-	-	-	-	-	-	-
Fibre CCA indexation	VII	(2)%	(5)%	(5)%	1%	-	-	(2)%	1%	1%	-	2%	(1)%	1%	-	-	(1)%	-	-	-	(1)%
Excess Construction Charges (ECCs)	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Remote Testing Platform	X	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Electronics	IX	-	(4)%	(6)%	-	-	-	-	-	-	-	-	(1)%	5%	-	-	-	-	-	-	-
Ethernet Backhaul Direct (EBD) Component to Service	XI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cost allocations to Residual Services	XXIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Property	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Removal of Activity Groups	XIII	-	-	-	1%	-	-	-	1%	1%	-	-	-	1%	-	-	-	-	-	-	-
Service Level Guarantees	XVIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Working Capital	XIV	(2)%	(1)%	-	(2)%	(1)%	(1)%	(1)%	(3)%	(2)%	-	(2)%	(1)%	21%	-	-	1%	-	-	-	-
Removal of Rule Type 4, 6 and 12 Apportionments and associated Inclusion Lists	XII	(1)%	2%	2%	(3)%	(1)%	(1)%	(2)%	(11)%	(10)%	-	(2)%	(1)%	(9)%	-	-	(1)%	1%	-	-	-
Cumulative non-material changes, interactions and roundings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100%)	-	-	-	-	-
2018 RFS using 2017 methodologies		(7)%	(4)%	(6)%	(2)%	(2)%	(2)%	0%	8%	(33)%	0%	(2)%	(4)%	23%	-	(100%)	(1)%	1%	-	-	(1)%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Performance Summary by market showing results with methodologies reversed

	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adjs. £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
WLA	893	1,419	2,312	898	534	(118)	72	3	–	1,389	923	5,252	17.6%
Business Connectivity Markets													
Low Bandwidth CISBO Rest of UK	344	234	578	224	188	(77)	(6)	41	(1)	369	209	1,816	11.5%
Low Bandwidth CISBO Combined													
Geographic	17	14	31	10	7	(2)	0	1	–	16	15	59	25.0%
Low Bandwidth TISBO	86	71	157	87	47	(8)	2	0	–	128	29	275	10.7%
Total	447	319	766	321	242	(87)	(4)	42	(1)	513	253	2,150	11.8%
Narrowband Markets													
WFAEL	1,195	354	1,549	611	400	(157)	109	3	–	966	583	4,575	12.7%
ISDN2	32	53	85	29	13	(4)	3	2	–	43	42	130	33.0%
ISDN30	77	88	165	52	25	(8)	(1)	2	1	71	94	207	45.8%
Fixed call origination	104	41	145	91	25	(4)	1	8	1	122	23	164	13.4%
Fixed geographic call termination	2	5	7	46	14	(2)	1	5	–	64	(57)	89	(64.1)%
Technical areas (DLE Interconnect Circuits)	–	6	6	5	1	0	0	0	–	6	–	7	2.5%
Total	1,410	547	1,957	834	478	(175)	113	20	2	1,272	685	5,172	13.3%
WBA (Market A)	401	20	421	126	54	(8)	(1)	4	(1)	174	247	359	68.6%
Total SMP Markets	3,151	2,305	5,456	2,179	1,308	(388)	180	69	–	3,348	2,108	12,933	16.3%
Wholesale Residual	2,469	356	2,825	2,028	460	(20)	(29)	66	1	2,506	319	1,558	20.5%
EOI Eliminations	(1,079)	–	(1,079)	(1,079)	–	–	–	–	–	(1,079)	–	–	–
Roundings	1	(1)	–	1	(1)	–	(2)	2	(2)	(2)	2	–	–
Total Wholesale Markets	4,542	2,660	7,202	3,129	1,767	(408)	149	137	(1)	4,773	2,429	14,491	16.8%
Retail Residual	–	21,063	21,063	18,272	1,747	–	–	–	–	20,019	1,044	17,453	6.0%
Eliminations	(4,542)	–	(4,542)	(4,542)	–	–	–	–	–	(4,542)	–	–	–
Roundings	–	–	–	–	–	–	–	–	1	1	(1)	–	–
Total Markets	–	23,723	23,723	16,859	3,514	(408)	149	137	–	20,251	3,472	31,944	10.9%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Performance Summary by market showing change in results when methodology changes are reversed

	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adjs. £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
WLA	(42)	(14)	(56)	(51)	(19)	1	(12)	9	(1)	(73)	17	(385)	1.5%
Business Connectivity Markets													
Low Bandwidth CISBO Rest of UK	–	–	–	–	–	(24)	(43)	44	–	(23)	23	(53)	1.5%
Low Bandwidth CISBO Combined													
Geographic	–	–	–	(1)	(1)	(1)	(1)	1	1	(2)	2	(4)	4.6%
Low Bandwidth TISBO	–	–	–	2	2	(2)	(3)	–	1	–	–	(5)	0.3%
Total	–	–	–	1	1	(27)	(47)	45	2	(25)	25	(62)	1.5%
Narrowband Markets													
WFAEL	(79)	(16)	(95)	(30)	(2)	–	–	–	–	(32)	(63)	(63)	(1.2)%
ISDN2	(1)	(2)	(3)	2	–	–	–	–	1	3	(6)	(4)	(3.0)%
ISDN30	–	–	–	2	1	(3)	(4)	1	2	(1)	1	–	0.8%
Fixed call origination	(3)	5	2	18	5	(1)	–	1	–	23	(21)	12	(15.9)%
Fixed geographic call termination	(2)	(2)	(4)	(15)	(4)	1	–	(1)	(2)	(21)	17	(43)	(8.5)%
Technical areas (DLE Interconnect Circuits)	–	–	–	–	–	–	–	–	–	–	–	–	(2.1)%
Total	(85)	(15)	(100)	(23)	–	(3)	(4)	1	1	(28)	(72)	(98)	(1.1)%
WBA (Market A)	(1)	(3)	(4)	–	1	(1)	(1)	–	–	(1)	(3)	(11)	1.1%
Total SMP Markets	(128)	(32)	(160)	(73)	(17)	(30)	(64)	55	2	(127)	(33)	(556)	0.4%
Wholesale Residual	298	(80)	218	158	28	(7)	(11)	6	1	175	43	300	(1.5)%
EOI Eliminations	–	–	–	–	–	–	–	–	–	–	–	–	–
Roundings	–	(1)	(1)	2	–	1	(2)	3	(5)	(1)	–	1	–
Total Wholesale Markets	170	(113)	57	87	11	(36)	(77)	64	(2)	47	10	(255)	0.4%
Retail Residual	–	113	113	83	(11)	–	–	–	1	73	40	85	0.2%
Eliminations	(170)	–	(170)	(170)	–	–	–	–	–	(170)	–	–	–
Roundings	–	–	–	–	–	–	–	–	1	1	(1)	–	–
Total Markets	–	–	–	–	–	(36)	(77)	64	–	(49)	49	(170)	0.2%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Performance Summary by market showing percentage change in results when methodology changes are reversed

	Internal Revenue	External Revenue	Total Revenue	Operating Costs	Depreciation	Holding (gain)/loss	Supp. Dep.	Other CCA Adjs.	Roundings	Total CCA Operating Costs	Return	Mean Capital Employed	Return on MCE
WLA	(4.5)%	(1.0)%	(2.4)%	(5.4)%	(3.4)%	(0.8)%	(14.3)%	(150.0)%	–	(5.0)%	1.9%	(6.8)%	9.3%
Business Connectivity Markets													
Low Bandwidth CISBO Rest of UK	–	–	–	–	–	45.3%	(116.2)%	(1,466.7)%	–	(5.9)%	12.4%	(2.8)%	15.0%
Low Bandwidth CISBO Combined Geographic	–	–	–	(9.1)%	(12.5)%	100.0%	(100.0)%	–	–	(11.1)%	15.4%	(6.3)%	22.5%
Low Bandwidth TISBO	–	–	–	2.4%	4.4%	33.3%	(60.0)%	–	–	0.0%	0.0%	(1.8)%	2.9%
Total	–	–	–	0.3%	0.4%	45.0%	(109.3)%	(1,500.0)%	–	(4.6)%	11.0%	(2.8)%	14.6%
Narrowband Markets													
WFAEL	(6.2)%	(4.3)%	(5.8)%	(4.7)%	(0.5)%	–	–	–	–	(3.2)%	(9.8)%	(1.4)%	(8.6)%
ISDN2	(3.0)%	(3.6)%	(3.4)%	7.4%	–	–	–	–	–	7.5%	(12.5)%	(3.0)%	(8.3)%
ISDN30	–	–	–	4.0%	4.2%	60.0%	(133.3)%	100.0%	–	(1.4)%	1.1%	–	1.8%
Fixed call origination	(2.8)%	13.9%	1.4%	24.7%	25.0%	33.3%	–	14.3%	–	23.2%	(47.7)%	7.9%	(54.3)%
Fixed geographic call termination	(100.0)%	(22.2)%	(36.4)%	(24.6)%	(22.2)%	(33.3)%	–	(16.7)%	–	(24.7)%	(23.0)%	(32.6)%	15.3%
Technical areas (DLE Interconnect Circuits)	–	–	–	–	–	–	–	–	–	–	–	–	(45.7)%
Total	(5.7)%	(2.7)%	(4.9)%	(2.7)%	0%	1.7%	(3.4)%	5.3%	–	(2.2)%	(9.5)%	(1.9)%	(7.6)%
WBA (Market A)	(0.2)%	(13.0)%	(0.9)%	–	1.9%	14.3%	–	–	–	(0.6)%	(1.2)%	(3.0)%	1.6%
Total SMP Markets	(3.9)%	(1.4)%	(2.8)%	(3.2)%	(1.3)%	8.4%	(26.2)%	392.9%	–	(3.7)%	(1.5)%	(4.1)%	2.5%
Wholesale Residual	13.7%	(18.3)%	8.4%	8.4%	6.5%	53.8%	61.1%	10.0%	–	7.5%	15.6%	23.8%	(6.8)%
EOI Eliminations	–	–	–	–	–	–	–	–	–	–	–	–	–
Roundings	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Wholesale Markets	3.9%	(4.1)%	0.8%	2.9%	0.6%	9.7%	(34.1)%	87.7%	–	1.0%	0.4%	(1.7)%	2.4%
Retail Residual	–	0.5%	0.5%	0.5%	(0.6)%	–	–	–	–	0.4%	3.9%	0.5%	3.4%
Eliminations	3.9%	–	3.9%	3.9%	–	–	–	–	–	3.9%	–	–	–
Roundings	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Markets	–	–	–	–	–	9.7%	(34.1)%	87.7%	–	(0.2)%	1.4%	(0.5)%	1.9%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Attribution of Wholesale Current costs with methodologies reversed

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	59	1,020	(1,079)	-	-
Provision/Maintenance	202	9	1	15	151	6	11	6	3	1	7	199	-	-	611
Network Support	148	33	1	7	95	3	4	5	2	0	5	34	-	-	337
General Support	192	61	3	12	120	4	8	8	4	1	8	101	-	(1)	521
General Management	231	94	4	15	138	5	9	15	5	1	9	184	-	-	710
Finance and Billing	8	2	0	0	6	0	0	0	0	0	0	3	-	2	21
Accommodation	106	20	1	32	83	9	17	48	27	2	33	137	-	(1)	514
Bad Debts	1	0	0	0	1	0	0	0	0	0	0	2	-	-	4
Other Costs	10	5	0	6	17	2	3	9	5	0	5	348	-	1	411
Depreciation – Land and Buildings	34	2	0	5	11	2	3	8	4	0	7	26	-	(2)	100
– Access	410	109	3	19	342	8	13	1	1	0	4	31	-	(1)	940
– Switch, Duct and Transmission	7	61	3	16	14	1	6	10	6	1	28	264	-	1	418
– Other related	83	16	1	7	33	2	3	6	3	0	15	139	-	1	309
Sub-total Depreciation	534	188	7	47	400	13	25	25	14	1	54	460	-	(1)	1,767
Sub-total HCA Operating Costs	1,432	412	17	134	1,011	42	77	116	60	6	180	2,488	(1,079)	-	4,896
CCA Adjustments:															
Holding (Gain)/Loss	(118)	(77)	(2)	(8)	(157)	(4)	(8)	(4)	(2)	0	(8)	(20)	-	-	(408)
Supplementary Depreciation	72	(6)	0	2	109	3	(1)	1	1	0	(1)	(29)	-	(2)	149
Other CCA Adjustments	3	41	1	0	3	2	2	8	5	0	4	66	-	2	137
Roundings	-	(1)	-	-	-	-	1	1	-	-	(1)	1	-	(2)	(1)
Total CCA Operating Costs	1,389	369	16	128	966	43	71	122	64	6	174	2,506	(1,079)	(2)	4,773

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Attribution of Wholesale Current costs showing change in costs when methodologies changes are reversed

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision/Maintenance	(25)	(1)	-	-	(23)	1	1	1	(2)	-	(1)	47	-	1	(1)
Network Support	(1)	(7)	-	-	2	-	(1)	2	(1)	(1)	-	7	-	(1)	(1)
General Support	(4)	(1)	-	5	4	1	2	5	2	1	5	70	-	(1)	89
General Management	(18)	6	(1)	(3)	(10)	-	(1)	(1)	(4)	-	(5)	15	-	-	(22)
Finance and Billing	-	-	-	(1)	1	-	-	-	-	-	-	1	-	1	2
Accommodation	(2)	2	-	1	(4)	-	1	9	(8)	-	1	8	-	-	8
Bad Debts	-	-	-	-	1	-	-	-	-	-	-	-	-	-	1
Other Costs	(1)	1	-	-	(1)	-	-	2	(2)	-	-	10	-	2	11
Depreciation – Land and Buildings	-	(1)	-	-	1	-	1	2	(1)	-	-	1	-	(2)	1
– Access	(16)	9	-	1	(1)	-	-	-	-	-	-	6	-	1	-
– Switch, Duct and Transmission	(1)	(7)	(1)	1	(1)	-	-	2	(1)	-	1	17	-	-	10
– Other related	(2)	(1)	-	-	(1)	-	-	1	(2)	-	-	4	-	1	-
Sub-total Depreciation	(19)	-	(1)	2	(2)	-	1	5	(4)	-	1	28	-	-	11
Sub-total HCA Operating Costs	(70)	-	(2)	4	(32)	2	3	23	(19)	-	1	186	-	2	98
CCA Adjustments:															
Holding (Gain)/Loss	1	(24)	(1)	(2)	-	-	(3)	(1)	1	-	(1)	(7)	-	1	(36)
Supplementary Depreciation	(12)	(43)	(1)	(3)	-	-	(4)	-	-	-	(1)	(11)	-	(2)	(77)
Other CCA Adjustments	9	44	1	-	-	-	1	1	(1)	-	-	6	-	3	64
Roundings	(1)	-	1	1	-	1	2	-	(2)	-	-	1	-	(5)	(2)
Total CCA Operating Costs	(73)	(23)	(2)	-	(32)	3	(1)	23	(21)	-	(1)	175	-	(1)	47

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Attribution of Wholesale Current costs showing percentage change in costs when methodologies changes are reversed

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Provision/Maintenance	(11.0)%	(10.0)%	-	-	(13.2)%	20.0%	10.0%	20.0%	(40.0)%	-	(12.5)%	30.9%	-	-	(0.2)%
Network Support	(0.7)%	(17.5)%	-	-	2.2%	-	(20.0)%	66.7%	(33.3)%	(100.0)%	-	25.9%	-	-	(0.3)%
General Support	(2.0)%	(1.6)%	-	71.4%	3.4%	33.3%	33.3%	166.7%	100.0%	-	166.7%	225.8%	-	-	20.6%
General Management	(7.2)%	6.8%	(20.0)%	(16.7)%	(6.8)%	-	(10.0)%	(6.3)%	(44.4)%	-	(35.7)%	8.9%	-	-	(3.0)%
Finance and Billing	-	-	-	(100.0)%	20.0%	-	-	-	-	-	-	50.0%	-	-	10.5%
Accommodation	(1.9)%	11.1%	-	3.2%	(4.6)%	-	6.3%	23.1%	(22.9)%	-	3.1%	6.2%	-	-	1.6%
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	-	-	-	33.3%
Other Costs	(9.1)%	25.0%	-	-	(5.6)%	-	-	28.6%	(28.6)%	-	-	3.0%	-	-	2.8%
Depreciation – Land and Buildings	-	(33.3)%	-	-	10.0%	-	50.0%	33.3%	(20.0)%	-	-	4.0%	-	-	1.0%
– Access	(3.8)%	9.0%	-	5.6%	(0.3)%	-	-	-	-	-	-	24.0%	-	-	-
– Switch, Duct and Transmission	(12.5)%	(10.3)%	(25.0)%	6.7%	(6.7)%	-	-	25.0%	(14.3)%	-	3.7%	6.9%	-	-	2.5%
– Other related	(2.4)%	(5.9)%	-	-	(2.9)%	-	-	20.0%	(40.0)%	-	-	3.0%	-	-	-
Sub-total Depreciation	(3.4)%	-	(12.5)%	4.4%	(0.5)%	-	4.2%	25.0%	(22.2)%	-	1.9%	6.5%	-	-	0.6%
Sub-total HCA Operating Costs	(4.7)%	-	(10.5)%	3.1%	(3.1)%	5.0%	4.1%	24.7%	(24.1)%	-	0.6%	8.1%	-	-	2.0%
CCA Adjustments:															
Holding (Gain)/Loss	(0.8)%	45.3%	100.0%	33.3%	-	-	60.0%	33.3%	(33.3)%	-	14.3%	53.8%	-	-	9.7%
Supplementary Depreciation	(14.3)%	(116.2)%	(100.0)%	(60.0)%	-	-	(133.3)%	-	-	-	-	61.1%	-	-	(34.1)%
Other CCA Adjustments	(150.0)%	(1,466.7)%	-	-	-	-	100.0%	14.3%	(16.7)%	-	-	10.0%	-	-	87.7%
Roundings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total CCA Operating Costs	(5.0)%	(5.9)%	(11.1)%	-	(3.2)%	7.5%	(1.4)%	23.2%	(24.7)%	-	(0.6)%	7.5%	-	-	1.0%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Attribution of Mean Capital Employed when methodologies changes are reversed

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current Assets															
Land & Buildings	285	20	1	52	103	14	25	77	43	2	70	263	–	–	955
Access – Copper	1,890	0	–	3	2,380	58	7	0	0	–	2	72	–	–	4,412
Access – Fibre	958	808	28	72	0	0	106	0	0	–	0	121	–	–	2,093
Access – Duct	1,932	705	18	88	1,941	47	45	38	21	3	144	372	–	2	5,356
Switch	19	–	–	0	32	4	3	17	9	1	–	31	–	1	117
Transmission	14	244	9	43	2	0	11	20	11	1	82	739	–	–	1,176
Other	295	66	3	29	140	8	14	31	17	1	62	392	–	–	1,058
Investments	0	0	0	0	0	0	0	0	–	–	0	0	–	–	0
Total Non-current Assets	5,393	1,843	59	287	4,598	131	211	183	101	8	360	1,990	–	3	15,167
Current Assets															
Inventories	–	–	–	–	–	–	–	–	–	–	1	8	–	–	9
Receivables															
– Internal	120	30	2	8	81	4	9	8	0	0	22	8	(56)	–	236
– External	158	48	2	12	127	4	8	10	5	1	12	650	–	–	1,037
Total Current Assets	278	78	4	20	208	8	17	18	5	1	35	666	(56)	–	1,282
Current Liabilities															
– Internal	–	–	–	–	–	–	–	–	–	–	(3)	(53)	56	–	–
– External	(401)	(101)	(4)	(31)	(217)	(11)	(20)	(35)	(18)	(1)	(32)	(578)	–	(1)	(1,450)
Total liabilities falling due within one year	(401)	(101)	(4)	(31)	(217)	(11)	(20)	(35)	(18)	(1)	(35)	(631)	56	(1)	(1,450)
Net Current (Liabilities)/Assets	(123)	(23)	–	(11)	(9)	(3)	(3)	(17)	(13)	–	–	35	–	(1)	(168)
Total Assets less Current Liabilities	5,270	1,820	59	276	4,589	128	208	166	88	8	360	2,025	–	2	14,999
Provisions for liabilities & charges	(20)	(6)	0	(1)	(13)	0	(1)	(1)	0	0	0	(466)	–	(1)	(509)
Roundings	2	2	–	–	(1)	2	–	(1)	1	(1)	(1)	(1)	–	(1)	1
Mean Capital Employed	5,252	1,816	59	275	4,575	130	207	164	89	7	359	1,558	–	–	14,491

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Attribution of Mean Capital Employed showing change in MCE when methodologies changes are reversed

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current Assets															
Land & Buildings	(1)	(6)	–	–	(1)	–	–	14	(15)	–	–	9	–	–	–
Access – Copper	(25)	–	–	–	(3)	–	–	–	–	–	–	28	–	–	–
Access – Fibre	(208)	(22)	(2)	3	–	–	6	–	–	–	–	(4)	–	1	(226)
Access – Duct	(26)	17	1	1	–	–	2	7	(8)	–	–	5	–	1	–
Switch	–	–	–	–	–	–	–	3	(3)	–	–	–	–	–	–
Transmission	–	(23)	(3)	2	–	–	–	5	(3)	–	8	69	–	–	55
Other	(10)	1	–	1	(5)	–	–	5	(6)	–	(1)	13	–	1	(1)
Investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Non-current Assets	(270)	(33)	(4)	7	(9)	–	8	34	(35)	–	7	120	–	3	(172)
Current Assets															
Inventories	–	–	–	–	–	–	–	–	–	–	1	3	–	–	4
Receivables															
– Internal	(36)	(8)	–	(2)	(27)	(2)	(2)	(1)	(1)	–	(6)	(163)	15	(1)	(234)
– External	(175)	(3)	–	(2)	(8)	(1)	–	–	(4)	–	(2)	530	–	(1)	334
Total Current Assets	(211)	(11)	–	(4)	(35)	(3)	(2)	(1)	(5)	–	(7)	370	15	(2)	104
Current Liabilities															
– Internal	–	–	–	–	–	–	–	–	–	–	1	14	(15)	–	–
– External	80	(15)	–	(9)	(27)	(4)	(6)	(21)	(6)	–	(12)	(212)	–	(1)	(233)
Total liabilities falling due within one year	80	(15)	–	(9)	(27)	(4)	(6)	(21)	(6)	–	(11)	(198)	(15)	(1)	(233)
Net Current (Liabilities)/Assets	(131)	(26)	–	(13)	(62)	(7)	(8)	(22)	(11)	–	(18)	172	–	(3)	(129)
Total Assets less Current Liabilities	(401)	(59)	(4)	(6)	(71)	(7)	–	12	(46)	–	(11)	292	–	–	(301)
Provisions for liabilities & charges	15	4	–	2	10	1	1	1	1	–	2	9	–	(1)	45
Roundings	1	2	–	(1)	(2)	2	(1)	(1)	2	–	(2)	(1)	–	2	1
Mean Capital Employed	(385)	(53)	(4)	(5)	(63)	(4)	–	12	(43)	–	(11)	300	–	1	(255)

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2018 Attribution of Mean Capital Employed showing percentage change in MCE when methodologies changes are reversed

	Wholesale Local Access Markets	Business Connectivity Markets			Narrowband Markets						Wholesale Broadband Access Markets				
	WLA	Low Bandwidth CISBO Rest of UK	Low Bandwidth CISBO Combined Geographic	Low Bandwidth TISBO	WFAEL	ISDN2	ISDN30	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
Non-current Assets															
Land & Buildings	(0.3)%	(23.1)%	–	–	(1.0)%	–	–	22.2%	(25.9)%	–	–	3.5%	–	–	–
Access – Copper	(1.3)%	–	–	–	(0.1)%	–	–	–	–	–	–	63.6%	–	–	–
Access – Fibre	(17.8)%	(2.7)%	(6.7)%	4.3%	–	–	6.0%	–	–	–	–	(3.2)%	–	–	(9.7)%
Access – Duct	(1.3)%	2.5%	5.9%	1.1%	–	–	4.7%	22.6%	(27.6)%	–	–	1.4%	–	–	–
Switch	–	–	–	–	–	–	–	21.4%	(25.0)%	–	–	–	–	–	–
Transmission	–	(8.6)%	(25.0)%	4.9%	–	–	–	33.3%	(21.4)%	–	10.8%	10.3%	–	–	4.9%
Other	(3.3)%	1.5%	–	3.6%	(3.4)%	–	–	19.2%	(26.1)%	–	(1.6)%	3.4%	–	–	(0.1)%
Investments	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Non-current Assets	(4.8)%	(1.8)%	(6.3)%	2.5%	(0.2)%	–	3.9%	22.8%	(25.7)%	–	2.0%	6.4%	–	–	(1.1)%
Current Assets															
Inventories	–	–	–	–	–	–	–	–	–	–	–	60.0%	–	–	80.0%
Receivables	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
– Internal	(23.1)%	(21.1)%	–	(20.0)%	(25.0)%	(33.3)%	(18.2)%	(11.1)%	(100.0)%	–	(21.4)%	(95.3)%	(21.1)%	–	(49.8)%
– External	(52.6)%	(5.9)%	–	(14.3)%	(5.9)%	(20.0)%	–	–	(44.4)%	–	(14.3)%	441.7%	–	–	47.5%
Total Current Assets	(43.1)%	(12.4)%	–	(16.7)%	(14.4)%	(27.3)%	(10.5)%	(5.3)%	(50.0)%	–	(16.7)%	125.0%	(21.1)%	–	8.8%
Current Liabilities															
– Internal	–	–	–	–	–	–	–	–	–	–	(25.0)%	(20.9)%	(21.1)%	–	–
– External	(16.6)%	17.4%	–	40.9%	14.2%	57.1%	42.9%	150.0%	50.0%	–	60.0%	57.9%	–	–	19.1%
Total liabilities falling due within one year	(16.6)%	17.4%	–	40.9%	14.2%	57.1%	42.9%	150.0%	50.0%	–	45.8%	45.7%	(21.1)%	–	19.1%
Net Current (Liabilities)/Assets	(1,637.5)%	(866.7)%	–	(650.0)%	(117.0)%	(175.0)%	(160.0)%	(440.0)%	550.0%	–	(100.0)%	(125.5)%	–	–	330.8%
Total Assets less Current Liabilities	(7.1)%	(3.1)%	(6.3)%	(2.1)%	(1.5)%	(5.2)%	–	7.8%	(34.3)%	–	(3.0)%	16.8%	–	–	(2.0)%
Provisions for liabilities & charges	(42.9)%	(40.0)%	–	(66.7)%	(43.5)%	(100.0)%	(50.0)%	(50.0)%	(100.0)%	–	(100.0)%	(1.9)%	–	–	(8.1)%
Roundings	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Mean Capital Employed	(6.8)%	(2.8)%	(6.3)%	(1.8)%	(1.4)%	(3.0)%	–	7.9%	(32.6)%	–	(3.0)%	23.8%	–	–	(1.7)%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

4.1.5 Errors Corrected in Prior Year Comparatives

The prior year comparatives have been restated to reflect the correction of errors which meet Ofcom's definition of Material Error. Ofcom defines a Material Error as one which results in a correction (be it positive or negative) to any figure in the RFS which exceeds the higher of 5% or £1 million. The percentage correction to a figure shall be calculated by taking the value of the affected figure in the Regulatory Financial Reporting before the error is corrected, and subtracting from it, the value of the same figure after the error is corrected, and then dividing this result by the former value. The error must fulfil at least one of the following conditions:

- (a) the error has arisen within the Regulatory Attribution System; or
- (b) the error has been brought to the attention of the Audit and Risk Committee by the Regulatory Auditor.

The impact of correcting these errors on the 2016/17 results are detailed in the tables: Impact of Changes on Revenue, Impact of Changes on Operating Costs and Impact of Changes on Mean Capital Employed on pages 132,133 and 134. We have published the Performance Summary by Market on a revised basis on page 135 and Attribution of Wholesale Current Cost and Attribution of Wholesale Mean Capital Employed on pages 138 and 141.

The errors identified in the 2017 RFS are detailed below:

I. *Tie Cables*

An error in the calculation of 2016/17 unit volumes was identified during detailed analysis of the published RFS by Ofcom and BT.

II. *Residual WBA Volumes*

An error was identified in the WBA volume source data. This was identified during routine process reviews.

III. *Time Related Charges (TRC)*

Costs were incorrectly allocated to the TRC service in the WFAEL market. This was identified during routine analysis of the notes to the published RFS.

IV. *Ethernet Revenue*

Certain circuits in the CISBO market were mapped to the wrong geographical location, and certain EAD (Ethernet Access Direct) Resilience Option 2 circuits were mapped incorrectly to Option 1 circuits, which have a higher usage factor. These were identified during routine process reviews.

V. *CCA*

CCA was incorrectly calculated as the fixed asset input feed did not include late registered assets and any related subsequent depreciation. There was also an incorrect application of certain indices (including Dropwire, SDH and Accommodation Plant). This impacted 'Other CCA adjustments' in WLA and WFAEL and was identified during routine process reviews.

VI. *Interconnect Revenue*

A calculation error was identified in the average circuit length for the Interconnect market. This was identified during the implementation of changes required by the Ofcom NMR.

VII. *Ofcom Administration Fee*

An error was identified in the apportionment of relevant revenue, resulting in an overstatement in the component Ofcom Administration Fee – Openreach. This was identified during routine process reviews.

VIII. *EE Call Volumes*

EE calls were incorrectly treated as external in the Call Termination market. This was identified during routine process reviews.

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Errors Corrected in Prior Year Comparatives

Impact of Changes on Revenue £m and %

	Reference to 4.1.5 Error Corrected in Prior Year Comparatives	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets									
		WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2016/17 as published		2,137	1,607	95	176	775	28	201	167	11	26	382	5,605	2,738	(1,017)	-	7,326	21,384	(4,647)	(1)	24,062
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	1	-	(1)	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	44	-	-	44	-	(44)	-	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	-	-	-	(5)	1	-	-	-	-	-	(4)	4	-	-	-	-	-	-	-
CCA	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	1	-	1	-	-	-	1	-	(1)	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(2)	-	-
Roundings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2016/17 with errors amended		2,137	1,607	95	176	770	29	201	167	11	27	382	5,602	2,786	(1,016)	-	7,372	21,386	(4,695)	(1)	24,062

	Reference to 4.1.5 Error Corrected in Prior Year Comparatives	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets									
		WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2016/17 as published		2,137	1,607	95	176	775	28	201	167	11	26	382	5,605	2,738	(1,017)	-	7,326	21,384	(4,647)	(1)	24,062
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	2%	-	-	1%	-	1%	-	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	-	-	-	(1)%	4%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCA	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	4%	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roundings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2016/17 with errors amended		-	-	-	-	(1)%	4%	-	-	-	4%	-	-	2%	-	-	1%	-	1%	-	-

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Errors Corrected in Prior Year Comparatives (continued)

Impact of Changes on Operating Costs £m and %

	Reference to 4.1.5 Error Corrected in Prior Year Comparatives	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets									
		WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2016/17 as published		1,383	983	38	71	478	14	145	115	79	22	176	3,504	2,856	(1,017)	1	5,344	20,197	(4,647)	1	20,895
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	(1)	(1)	-	1	-	-	1	(1)	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	44	(44)	-	-
Time Related Charges (TRC)	III	-	(1)	-	-	1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	-	-	-	(3)	1	-	-	-	-	-	(2)	2	-	-	-	-	-	-	-
CCA	V	(5)	(8)	-	-	(2)	-	-	-	-	-	-	(15)	(1)	-	-	(16)	-	-	-	(16)
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	(1)	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)	1	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2	(2)	-	-
Roundings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	-	(1)	-
2016/17 with errors amended		1,378	974	38	71	474	15	145	115	79	22	175	3,486	2,857	(1,016)	-	5,327	20,247	(4,695)	-	20,879

	Reference to 4.1.5 Error Corrected in Prior Year Comparatives	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets									
		WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (Interconnect)	WBA (Market A)	Total SMP Markets	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets	Retail Residual	Eliminations	Roundings	Total Markets
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
2016/17 as published		1,383	983	38	71	478	14	145	115	79	22	176	3,504	2,856	(1,017)	1	5,344	20,197	(4,647)	1	20,895
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	(1)%	-	-	-	-	-	-	-	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1%	-	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	-	-	-	(1)%	7%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CCA	V	(1)%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(100)%	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roundings		-	-	-	-	-	-	-	-	-	-	-	(1)%	-	-	-	-	-	-	(100)%	-
2016/17 with errors amended		-	(1)%	-	-	(1)%	7%	-	-	-	-	(1)%	(1)%	-	-	(100)%	-	-	1%	(100)%	-

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

Errors Corrected in Prior Year Comparatives (continued)

Impact of Changes on Mean Capital Employed £m and %

	Reference to 4.1.5 Error Corrected in Prior Year Comparatives	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets									
		WLA £m	WFAEL £m	ISDN2 £m	ISDN30 £m	CISBO Rest of UK £m	CISBO London Periphery £m	Low Bandwidth TISBO £m	Fixed call origination £m	Fixed geographic call termination £m	Technical areas (Interconnect) £m	WBA (Market A) £m	Total SMP Markets £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m	Retail Residual £m	Eliminations £m	Roundings £m	Total Markets £m
2016/17 as published		4,817	4,598	145	209	2,011	44	339	159	118	25	373	12,838	1,296	-	-	14,134	17,222	-	1	31,357
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	2	-	-	2	(2)	-	-	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	-	-	3	(13)	3	2	-	-	-	-	(5)	5	-	-	-	-	-	-	-
CCA	V	1	2	-	-	-	-	-	-	-	-	-	3	2	-	-	5	-	-	(1)	4
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roundings		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1)	(1)
2016/17 with errors amended		4,818	4,600	145	212	1,998	47	341	159	118	25	373	12,836	1,305	-	-	14,141	17,220	-	(1)	31,360

	Reference to 4.1.5 Error Corrected in Prior Year Comparatives	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets									
		WLA £m	WFAEL £m	ISDN2 £m	ISDN30 £m	CISBO Rest of UK £m	CISBO London Periphery £m	Low Bandwidth TISBO £m	Fixed call origination £m	Fixed geographic call termination £m	Technical areas (Interconnect) £m	WBA (Market A) £m	Total SMP Markets £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m	Retail Residual £m	Eliminations £m	Roundings £m	Total Markets £m
2016/17 as published		4,817	4,598	145	209	2,011	44	339	159	118	25	373	12,838	1,296	-	-	14,134	17,222	-	1	31,357
Tie Cables	I	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Residual WBA Volumes	II	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Time Related Charges (TRC)	III	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ethernet Revenue	IV	-	-	-	1%	(1)%	7%	1%	-	-	-	-	-	-	-	-	-	-	-	(100)%	-
CCA	V	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interconnect Revenue	VI	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ofcom Administration Fee	VII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EE Call Volumes	VIII	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roundings		-	-	-	-	-	-	-	-	-	-	-	-	1%	-	-	-	-	-	(100)%	-
2016/17 with errors amended		-	-	-	1%	(1)%	7%	1%	-	-	-	-	-	1%	-	-	-	-	-	(200)%	-

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Performance Summary by market showing material errors corrected

	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adjs. £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
Fixed Access Markets													
WLA	812	1,325	2,137	885	519	(108)	67	15	–	1,378	759	4,818	15.8%
WFAEL	1,249	358	1,607	590	419	(144)	105	4	–	974	633	4,600	13.8%
ISDN2	37	58	95	24	14	(4)	3	2	(1)	38	57	145	38.7%
ISDN30	81	95	176	45	26	(12)	(1)	13	–	71	105	212	49.5%
Total	2,179	1,836	4,015	1,544	978	(268)	174	34	(1)	2,461	1,554	9,775	15.9%
Business Connectivity Markets													
CISBO Rest of UK	473	297	770	237	247	(107)	(5)	101	1	474	296	1,998	14.8%
CISBO London Periphery	18	11	29	8	7	(2)	0	2	–	15	14	47	30.7%
Low Bandwidth TISBO	104	97	201	91	57	(12)	1	9	(1)	145	56	341	16.4%
Total	595	405	1,000	336	311	(121)	(4)	112	–	634	366	2,386	15.4%
Narrowband Markets													
Fixed call origination	122	45	167	84	24	(2)	1	8	–	115	52	159	32.8%
Fixed geographic call termination	5	6	11	55	18	(2)	1	6	1	79	(68)	118	(57.5)%
Technical Areas (DLE Interconnect Circuits)	–	27	27	18	4	(1)	0	0	1	22	5	25	18.8%
Total	127	78	205	157	46	(5)	2	14	2	216	(11)	302	(3.6)%
WBA (Market A)	353	29	382	112	68	(9)	(2)	6	–	175	207	373	55.5%
Total SMP Markets	3,254	2,348	5,602	2,149	1,403	(403)	170	166	1	3,486	2,116	12,836	16.5%
Wholesale Residual	2,457	329	2,786	2,456	393	(22)	(29)	59	–	2,857	(71)	1,305	(5.5)%
EOI Eliminations	(1,016)	–	(1,016)	(1,016)	–	–	–	–	–	(1,016)	–	–	–
Roundings	–	–	–	–	–	1	–	1	(2)	–	–	–	–
Total Wholesale Markets	4,695	2,677	7,372	3,589	1,796	(424)	141	226	(1)	5,327	2,045	14,141	14.5%
Retail Residual	–	21,386	21,386	18,471	1,776	–	–	–	–	20,247	1,139	17,220	6.6%
Eliminations	(4,695)	–	(4,695)	(4,695)	–	–	–	–	–	(4,695)	–	–	–
Roundings	–	(1)	(1)	–	–	–	–	–	–	–	(1)	(1)	–
Total Markets	–	24,062	24,062	17,365	3,572	(424)	141	226	(1)	20,879	3,183	31,360	10.2%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Performance Summary by market showing change as a result of material errors corrected

	Internal Revenue £m	External Revenue £m	Total Revenue £m	Operating Costs £m	Depreciation £m	Holding (gain)/loss £m	Supp. Dep. £m	Other CCA Adjs. £m	Roundings £m	Total CCA Operating Costs £m	Return £m	Mean Capital Employed £m	Return on MCE %
Fixed Access Markets													
WLA	(2)	2	–	–	–	5	1	(11)	–	(5)	5	1	0.2%
WFAEL	–	–	–	(2)	–	7	–	(16)	2	(9)	9	2	0.2%
ISDN2	–	–	–	–	–	–	–	–	–	–	–	–	0.1%
ISDN30	–	–	–	–	–	–	–	–	–	–	–	3	(1.0)%
Total	(2)	2	–	(2)	–	12	1	(27)	2	(14)	14	6	0.2%
Business Connectivity Markets													
CISBO Rest of UK	(4)	(1)	(5)	(2)	(3)	2	1	(3)	1	(4)	(1)	(13)	–
CISBO London Periphery	1	–	1	–	–	–	–	–	1	1	–	3	0.1%
Low Bandwidth TISBO	–	–	–	–	–	–	–	–	–	–	–	2	(0.2)%
Total	(3)	(1)	(4)	(2)	(3)	2	1	(3)	2	(3)	(1)	(8)	0.1%
Narrowband Markets													
Fixed call origination	–	–	–	–	–	1	–	–	(1)	–	–	–	0.1%
Fixed geographic call termination	2	(2)	–	(1)	–	–	–	–	1	–	–	–	(0.1)%
Technical areas (DLE Interconnect Circuits)	–	1	1	–	–	–	–	–	–	–	1	–	4.0%
Total	2	(1)	1	(1)	–	1	–	–	–	–	1	–	0.5%
WBA (Market A)	–	–	–	(1)	–	–	–	(1)	1	(1)	1	–	0.3%
Total SMP Markets	(3)	–	(3)	(6)	(3)	15	2	(31)	5	(18)	15	(2)	0.2%
Wholesale Residual	50	(2)	48	1	1	1	–	(2)	–	1	47	9	3.6%
EOI Eliminations	1	–	1	1	–	–	–	–	–	1	–	–	–
Roundings	–	–	–	3	2	1	–	–	(7)	(1)	1	–	–
Total Wholesale Markets	48	(2)	46	(1)	–	17	2	(33)	(2)	(17)	63	7	0.5%
Retail Residual	–	2	2	50	–	–	–	–	–	50	(48)	(2)	(0.3)%
Eliminations	(48)	–	(48)	(48)	–	–	–	–	–	(48)	–	–	–
Roundings	–	–	–	(1)	–	–	–	–	–	(1)	1	(2)	–
Total Markets	–	–	–	–	–	17	2	(33)	(2)	(16)	16	3	0.1%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Performance Summary by market showing percentage change as a result of material errors corrected

	Internal Revenue	External Revenue	Total Revenue	Operating Costs	Depreciation	Holding (gain)/loss	Supp. Dep.	Other CCA Adj.	Roundings	Total CCA Operating Costs	Return	Mean Capital Employed	Return on MCE
Fixed Access Markets													
WLA	(0.2)%	0.2%	–	–	–	(4.4)%	1.5%	(42.3)%	–	(0.4)%	0.7%	–	1.3%
WFAEL	–	–	–	(0.3)%	–	(4.6)%	–	(80.0)%	–	(0.9)%	1.4%	–	1.5%
ISDN2	–	–	–	–	–	–	–	–	–	–	–	–	0.3%
ISDN30	–	–	–	–	–	–	–	–	–	–	–	1.4%	(2.0)%
Total	(0.1)%	0.1%	–	(0.1)%	–	(4.3)%	0.6%	(44.3)%	–	(0.6)%	0.9%	0.1%	1.3%
Business Connectivity Markets													
CISBO Rest of UK	(0.8)%	(0.3)%	(0.6)%	(0.8)%	(1.2)%	(1.8)%	(16.7)%	(2.9)%	–	(0.8)%	(0.3)%	(0.6)%	–
CISBO London Periphery	5.9%	–	3.6%	–	–	–	–	–	–	7.1%	–	6.8%	0.3%
Low Bandwidth TISBO	–	–	–	–	–	–	–	–	–	–	–	0.6%	(1.2)%
Total	(0.5)%	(0.2)%	(0.4)%	(0.6)%	(1.0)%	(1.6)%	(20.0)%	(2.6)%	–	(0.5)%	(0.3)%	(0.3)%	0.7%
Narrowband Markets													
Fixed call origination	–	–	–	–	–	(33.3)%	–	–	–	–	–	–	0.3%
Fixed geographic call termination	66.7%	(25.0)%	–	(1.8)%	–	–	–	–	–	–	–	–	0.2%
Technical areas (DLE Interconnect Circuits)	–	3.8%	3.8%	–	–	–	–	–	–	–	25.0%	–	27.0%
Total	1.6%	1.3%	0.5%	(0.6)%	–	(16.7)%	–	–	–	–	(8.3)%	–	(12.2)%
WBA (Market A)	–	–	–	(0.9)%	–	–	–	(14.3)%	–	(0.6)%	0.5%	–	0.5%
Total SMP Markets	0.0%	–	(0.1)%	(0.3)%	(0.2)%	(3.6)%	1.2%	(15.7)%	–	(0.5)%	0.7%	–	1.2%
Wholesale Residual	2.1%	(0.6)%	1.8%	–	0.3%	(4.3)%	–	(3.3)%	–	–	(39.8)%	0.7%	(39.6)%
EOI Eliminations	(0.1)%	–	(0.1)%	(0.1)%	–	–	–	–	–	(0.1)%	–	–	–
Roundings	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Wholesale Markets	1.0%	0.0%	0.6%	–	–	(3.9)%	1.4%	(12.7)%	–	(0.3)%	3.2%	–	3.6%
Retail Residual	–	–	–	0.3%	–	–	–	–	–	0.2%	(4.0)%	–	(4.3)%
Eliminations	1.0%	–	1.0%	1.0%	–	–	–	–	–	1.0%	–	–	–
Roundings	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Markets	–	–	–	–	–	(3.9)%	1.4%	(12.7)%	–	(0.1)%	0.5%	–	1.0%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Attribution of Wholesale Current costs showing material errors corrected

	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets				
	WLA £m	WFAEL £m	ISDN2 £m	ISDN30 £m	CISBO Rest of UK £m	CISBO London Periphery £m	Low Bandwidth TISBO £m	Fixed call origination £m	Fixed geographic call termination £m	Technical areas (DLE Interconnect Circuits) £m	WBA (Market A) £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	48	968	(1,016)	-	-
Provision/Maintenance	208	159	4	10	10	0	18	7	6	5	8	204	-	(1)	638
Network Support	136	65	2	3	21	1	4	2	1	1	2	23	-	1	262
General Support	166	99	3	6	49	2	9	6	3	2	6	115	-	(2)	464
General Management	239	147	5	9	121	4	15	18	6	4	10	574	-	1	1,153
Finance and Billing	8	6	0	0	3	0	1	0	0	0	0	5	-	2	25
Accommodation	110	92	8	14	26	1	36	42	32	5	32	116	-	-	514
Bad Debts	1	1	0	0	0	0	0	0	0	0	0	0	-	-	2
Other Costs	17	21	2	3	7	0	8	9	7	1	6	451	-	(1)	531
Depreciation – Land and Buildings	34	12	1	2	3	0	6	7	5	1	8	22	-	-	101
– Access	367	348	10	14	108	2	22	1	1	0	4	23	-	(1)	899
– Switch, Duct and Transmission	8	14	1	6	111	4	21	9	7	2	28	211	-	2	424
– Other related	110	45	2	4	25	1	8	7	5	1	28	137	-	(1)	372
Sub-total Depreciation	519	419	14	26	247	7	57	24	18	4	68	393	-	-	1,796
Sub-total HCA Operating Costs	1,404	1,009	38	71	484	15	148	108	73	22	180	2,849	(1,016)	-	5,385
CCA Adjustments:															
Holding (Gain)/Loss	(108)	(144)	(4)	(12)	(107)	(2)	(12)	(2)	(2)	(1)	(9)	(22)	-	1	(424)
Supplementary Depreciation	67	105	3	(1)	(5)	0	1	1	1	0	(2)	(29)	-	-	141
Other CCA Adjustments	15	4	2	13	101	2	9	8	6	0	6	59	-	1	226
Roundings	-	-	(1)	-	1	-	(1)	-	1	1	-	-	-	(2)	(1)
Total CCA Operating Costs	1,378	974	38	71	474	15	145	115	79	22	175	2,857	(1,016)	-	5,327

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Attribution of Wholesale Current costs showing change in results when material errors are corrected

	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets				
	WLA £m	WFAEL £m	ISDN2 £m	ISDN30 £m	CISBO Rest of UK £m	CISBO London Periphery £m	Low Bandwidth TISBO £m	Fixed call origination £m	Fixed geographic call termination £m	Technical areas (DLE Interconnect Circuits) £m	WBA (Market A) £m	Wholesale Residual £m	EOI Eliminations £m	Roundings £m	Total Wholesale Markets £m
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	-	(1)	1	-	-
Provision/Maintenance	-	1	-	-	-	-	-	-	1	-	-	-	-	(1)	1
Network Support	-	(1)	-	-	(1)	-	-	-	-	-	-	-	-	2	-
General Support	-	(1)	-	-	-	-	-	-	(1)	-	-	1	-	(1)	(2)
General Management	-	(1)	1	-	(1)	-	-	-	(1)	-	-	1	-	1	-
Finance and Billing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation	-	-	(1)	-	-	-	-	-	-	-	(1)	1	-	1	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	(1)	-	1	-
Other Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation – Land and Buildings	-	-	-	-	-	-	-	-	-	-	1	-	-	(1)	-
– Access	-	-	-	-	(1)	-	-	-	-	-	-	-	-	1	-
– Switch, Duct and Transmission	-	-	-	(1)	(1)	-	-	-	-	-	(1)	-	-	3	-
– Other related	-	-	-	1	(1)	-	-	-	-	-	-	1	-	(1)	-
Sub-total Depreciation	-	-	-	-	(3)	-	-	-	-	-	-	1	-	2	-
Sub-total HCA Operating Costs	-	(2)	-	-	(5)	-	-	-	(1)	-	(1)	2	1	5	(1)
CCA Adjustments:															
Holding (Gain)/Loss	5	7	-	-	2	-	-	1	-	-	-	1	-	1	17
Supplementary Depreciation	1	-	-	-	1	-	-	-	-	-	-	-	-	-	2
Other CCA Adjustments	(11)	(16)	-	-	(3)	-	-	-	-	-	(1)	(2)	-	-	(33)
Roundings	-	2	-	-	1	1	-	(1)	1	-	1	-	-	(7)	(2)
Total CCA Operating Costs	(5)	(9)	-	-	(4)	1	-	-	-	-	(1)	1	1	(1)	(17)

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Attribution of Wholesale Current costs showing percentage change in results when material errors are corrected

	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets				
	WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
Operating Costs of Wholesale Services:															
EOI Input Prices	-	-	-	-	-	-	-	-	-	-	-	(0.1)%	(0.1)%	-	-
Provision/Maintenance	-	0.6%	-	-	-	-	-	-	20.0%	-	-	-	-	-	0.2%
Network Support	-	(1.5)%	-	-	(4.5)%	-	-	-	-	-	-	-	-	-	-
General Support	-	(1.0)%	-	-	-	-	-	-	(25.0)%	-	-	0.9%	-	-	(0.4)%
General Management	-	(0.7)%	25.0%	-	(0.8)%	-	-	-	(14.3)%	-	-	0.2%	-	-	-
Finance and Billing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accommodation	-	-	(11.1)%	-	-	-	-	-	-	-	(3.0)%	0.9%	-	-	-
Bad Debts	-	-	-	-	-	-	-	-	-	-	-	(100.0)%	-	-	-
Other Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation – Land and Buildings	-	-	-	-	-	-	-	-	-	-	14.3%	-	-	-	-
– Access	-	-	-	-	(0.9)%	-	-	-	-	-	-	-	-	-	-
– Switch, Duct and Transmission	-	-	-	(14.3)%	(0.9)%	-	-	-	-	-	(3.4)%	-	-	-	-
– Other related	-	-	-	33.3%	(3.8)%	-	-	-	-	-	-	0.7%	-	-	-
Sub-total Depreciation	-	-	-	-	(1.2)%	-	-	-	-	-	-	0.3%	-	-	-
Sub-total HCA Operating Costs	-	(0.2)%	-	-	(1.0)%	-	-	-	(1.4)%	-	(0.6)%	0.1%	(0.1)%	-	-
CCA Adjustments:															
Holding (Gain)/Loss	(4.4)%	(4.6)%	-	-	(1.8)%	-	-	(33.3)%	-	-	-	(4.3)%	-	-	(3.9)%
Supplementary Depreciation	1.5%	-	-	-	(16.7)%	-	-	-	-	-	-	-	-	-	1.4%
Other CCA Adjustments	(42.3)%	(80.0)%	-	-	(2.9)%	-	-	-	-	-	(14.3)%	(3.3)%	-	-	(12.7)%
Roundings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total CCA Operating Costs	(0.4)%	(0.9)%	-	-	(0.8)%	7.1%	-	-	-	-	(0.6)%	-	(0.1)%	-	(0.3)%

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Attribution of Mean Capital Employed showing material errors corrected

	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets				
	WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current Assets															
Land & Buildings	351	111	14	22	31	1	61	69	54	7	74	233	–	1	1,029
Access – Copper	1,829	2,432	67	9	0	–	4	0	0	–	2	66	–	(1)	4,408
Access – Fibre	664	0	–	104	702	17	89	0	0	1	0	70	–	(1)	1,646
Access – Duct	1,742	1,895	52	49	799	13	108	31	24	9	146	236	–	1	5,105
Switch	21	48	7	3	0	–	0	23	18	3	0	44	–	–	167
Transmission	15	4	0	14	406	13	60	21	17	4	91	640	–	(1)	1,284
Other	343	160	8	15	93	3	34	30	23	4	66	343	–	2	1,124
Investments	0	0	0	0	0	–	0	0	–	–	0	0	–	–	0
Total Non-current Assets	4,965	4,650	148	216	2,031	47	356	174	136	28	379	1,632	–	1	14,763
Current Assets															
Inventories	–	–	–	–	–	–	–	–	–	–	0	7	–	–	7
Receivables															
– Internal	117	88	5	10	42	2	11	9	1	1	21	6	(56)	–	257
– External	107	90	3	5	35	1	9	6	4	1	8	593	–	–	862
Total Current Assets	224	178	8	15	77	3	20	15	5	2	29	606	(56)	–	1,126
Current Liabilities															
– Internal	–	–	–	–	–	–	–	–	–	–	(3)	(53)	56	–	–
– External	(348)	(213)	(9)	(17)	(100)	(3)	(34)	(29)	(21)	(5)	(31)	(531)	–	–	(1,341)
Total liabilities falling due within one year	(348)	(213)	(9)	(17)	(100)	(3)	(34)	(29)	(21)	(5)	(34)	(584)	56	–	(1,341)
Net Current (Liabilities)/Assets	(124)	(35)	(1)	(2)	(23)	–	(14)	(14)	(16)	(3)	(5)	22	–	–	(215)
Total Assets less Current Liabilities	4,841	4,615	147	214	2,008	47	342	160	120	25	374	1,654	–	1	14,548
Provisions for liabilities & charges	(24)	(16)	(1)	(1)	(9)	0	(2)	(1)	(1)	0	(2)	(349)	–	(1)	(407)
Roundings	1	1	(1)	(1)	(1)	–	1	–	(1)	–	1	–	–	–	–
Mean Capital Employed	4,818	4,600	145	212	1,998	47	341	159	118	25	373	1,305	–	–	14,141

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Attribution of Mean Capital Employed showing change when material errors are corrected

	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets				
	WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	Total Wholesale Markets
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Non-current Assets															
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	1	-	(1)	-
Access – Copper	1	2	-	-	-	-	-	-	-	-	-	-	-	-	3
Access – Fibre	-	-	-	2	(6)	1	1	-	-	-	-	2	-	-	-
Access – Duct	(1)	-	-	-	(3)	-	-	-	-	-	-	-	-	3	(1)
Switch	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission	-	-	-	-	(3)	2	-	-	-	-	-	2	-	(1)	-
Other	-	-	-	-	(1)	-	-	-	-	-	-	1	-	1	1
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-current Assets	-	2	-	2	(13)	3	1	-	-	-	-	6	-	2	3
Current Assets															
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables															
- Internal	-	-	-	-	-	-	-	-	-	-	-	3	-	(1)	2
- External	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	-	-	-	-	-	-	-	-	-	-	-	3	-	(1)	2
Current Liabilities															
- Internal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- External	-	-	-	-	1	(1)	-	-	-	-	-	-	-	-	-
Total liabilities falling due within one year	-	-	-	-	1	(1)	-	-	-	-	-	-	-	-	-
Net Current (Liabilities)/Assets	-	-	-	-	1	(1)	-	-	-	-	-	3	-	(1)	2
Total Assets less Current Liabilities	-	2	-	2	(12)	2	1	-	-	-	-	9	-	1	5
Provisions for liabilities & charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roundings	1	-	-	1	(1)	1	1	-	-	-	-	-	-	(1)	2
Mean Capital Employed	1	2	-	3	(13)	3	2	-	-	-	-	9	-	-	7

Appendix 4 – Reconciliation Report – Impact of Methodology Changes and Errors

2017 Attribution of Mean Capital Employed showing percentage change in results when material errors are corrected

	Fixed Access Markets				Business Connectivity Markets			Narrowband Markets			Wholesale Broadband Access Markets				Total Wholesale Markets
	WLA	WFAEL	ISDN2	ISDN30	CISBO Rest of UK	CISBO London Periphery	Low Bandwidth TISBO	Fixed call origination	Fixed geographic call termination	Technical areas (DLE Interconnect Circuits)	WBA (Market A)	Wholesale Residual	EOI Eliminations	Roundings	
Non-current Assets															
Land & Buildings	-	-	-	-	-	-	-	-	-	-	-	0.4%	-	-	-
Access – Copper	0.1%	0.1%	-	-	-	-	-	-	-	-	-	-	-	-	0.1%
Access – Fibre	-	-	-	2.0%	(0.8)%	6.3%	1.1%	-	-	-	-	2.9%	-	-	-
Access – Duct	(0.1)%	-	-	-	(0.4)%	-	-	-	-	-	-	-	-	-	-
Switch	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission	-	-	-	-	(0.7)%	18.2%	-	-	-	-	-	0.3%	-	-	-
Other	-	-	-	-	(1.1)%	-	-	-	-	-	-	0.3%	-	-	0.1%
Investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Non-current Assets	-	-	-	0.9%	(0.6)%	6.8%	0.3%	-	-	-	-	0.4%	-	-	-
Current Assets															
Inventories	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Receivables	-	-	-	-	-	-	-	-	-	-	-	100.0%	-	-	-
– Internal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.8%
– External	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Current Assets	-	-	-	-	-	-	-	-	-	-	-	0.5%	-	-	0.2%
Current Liabilities															
– Internal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
– External	-	-	-	-	(1.0)%	50.0%	-	-	-	-	-	-	-	-	-
Total liabilities falling due within one year	-	-	-	-	(1.0)%	50.0%	-	-	-	-	-	-	-	-	-
Net Current (Liabilities)/Assets	-	-	-	-	(4.2)%	(100.0)%	-	-	-	-	-	15.8%	-	-	(0.9)%
Total Assets less Current Liabilities	-	-	-	0.9%	(0.6)%	4.4%	0.3%	-	-	-	-	0.5%	-	-	-
Provisions for liabilities & charges	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Roundings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mean Capital Employed	-	-	-	1.4%	(0.6)%	6.8%	0.6%	-	-	-	-	0.7%	-	-	-

Glossary and Footnotes List

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Glossary

20CN	20 th Century Network	Commitments	The Commitments given to Ofcom and industry by BT on how Openreach will operate dated 10 March 2017.
21CN	21 st Century Network	Cost accounting	A cost accounting system is a set of rules which supports the attribution of costs, revenues and mean capital employed to individual activities and services.
ADSL	Asymmetric Digital Subscriber Line	CoW	Class of Work
AI	Alternative Interface	CP	Communication Provider
AMD	Accounting Methodology Document. This sets out the detailed processes by which revenues and costs are attributed between the SMP Markets, Services and Residual activities.	CPI	Consumer Price Index
Annual Report and Form 20-F	BT Group plc's Annual Report and Form 20-F including the consolidated financial statements for the year ended 31 March 2018. These are available on the BT website at: http://www.btplc.com/Sharesandperformance/Annualreportandreview/index.cfm	CPL	Carrier Price List
ASIG	Accounting Separation Implementation Group	CSH	Customer Sited Handover
ATM	Asynchronous Transfer Mode	CSI	Customer Sited Interconnect
BCMR	Business Connectivity Market Review	CTCS	Core Transmission Costing System
BDUK	Broadband Delivery UK	Current Cost Accounting ("CCA") adjustments	The change to historical costs arising from the revaluation of assets on a current cost basis. In the statements for individual markets the adjustments comprise the holding gains or losses arising from changes in asset values, together with the effect on asset values and depreciation of the appropriate allocation of current cost asset values between markets and Wholesale services.
BES	Backhaul Extension Services	D Side	Distribution Side
BRAS	Broadband Remote Access Server	DLE	Digital Local Exchange
CAT	Competition Appeal Tribunal	DSLAM	Digital Subscriber Line Access Multiplexer
CBD	Central Business District	E Side	Exchange Side
CC	Competition Commission	EAD	Ethernet Access Direct
Cct	Circuits	EBD	Ethernet Backhaul Direct
CCN	Change Control Notification	EBITDA	Earnings before Interest, Tax, Depreciation and Amortisation
CFU	Customer Facing Unit	EC	European Commission
CI	Contemporary Interface	ECC	Excess Construction Charge
CISBO	Contemporary Interface Symmetric Broadband Origination	Eq	Equipment Units
CLZ	Central London Zone		

Glossary and Footnotes List

EOI	Equivalence of Input	LLCC	Leased Lines Charge Controls
ePPCs	Ethernet Partial Private Circuits	LLU	Local Loop Unbundling
EVOTAM	Evolution Test Access Matrix	LRIC	Long Run Incremental Cost
FAC	Fully Allocated Cost	m	Metres
FAMR	Fixed Access Market Review	MDF	Main Distribution Frame
FTTC	Fibre To The Cabinet	Mean capital employed (MCE)	Mean capital employed is defined as total assets less current liabilities, excluding corporate taxes and dividends payable, and provisions other than those for deferred taxation. The mean is computed from the start and end values for the period.
FTTP	Fibre To The Premises	Mbps	Mega Bits Per Second
GBCI	General Building Cost Index (GBCI). A national index that measures the costs of construction work including materials and labour.	mm	Millions of Minutes
GEA	Generic Ethernet Access	MNS	Managed Network Services
GFA	Grant Funded Assets	MPF	Metallic Path Facilities
GRC	Gross Replacement Cost	MSAN	Multi Service Access Node
HCA	Historical Cost Accounting	MSE	Multi Service Edge
IAS	International Accounting Standards	MVNO	Mobile Virtual Network Operator
IBC	Intra-Building Circuit	NMR	Narrowband Market Review
IC	Interconnect Circuits	n/a	Not Applicable
IEC	Interconnection Extension Circuit	NGA	Next Generation Access
INS	Integrated Network System	NRC	Net Replacement Costs
IP	Internet Protocol	NTE	Network Terminating Equipment
ISDN	Integrated Services Digital Network	Ofcom	Office of Communications
ISH	In-Span Handover	ONBS	Openreach Network Backhaul Service
ISI	In-Span Interconnect	OUC	Organisational Unit Code
Kbps	Kilobits Per Second	PDH	Plesiochronous Digital Hierarchy
km	Kilometres	PoH	Point of Handover
LA	Local Access	PPC	Partial Private Circuit
Le	Local ends	ppm	Pence Per Minute
Line	No. of Lines		

Glossary and Footnotes List

PSTN	Public Switched Telephone Network	Undertakings	The Undertakings given by BT under the Enterprise Act 2002 dated 22 September 2005
PWNRCs	Profit Weighted Net Replacement Costs	Use	The proportional bandwidth use of each circuit
RAP	Regulatory Accounting Principles	Usage Factors	Usage Factors refer to the usage of any network component, including conveyance components.
RAV	Regulatory Asset Valuation	VoIP	Voice over Internet Protocol
RFS	Regulatory Financial Statements	VULA	Virtual Unbundled Local Access
RPI	Retail Price Index	WBA	Wholesale Broadband Access
SDH	Synchronous Digital Hierarchy	WBAMR	Wholesale Broadband Access Market Review
SFBB	Super Fast Broadband	WBC	Wholesale Broadband Connect
SG&A	Selling, General and Administrative Expenses	WCO	Wholesale Call Origination
SLG	Service Level Guarantees	WCT	Wholesale Call Termination
SML	Service Maintenance Level	WDM	Wave Division Multiplexing
SMP	Significant Market Power	WES	Wholesale Extension Services
SMPF	Shared Metallic Path Facilities	WFAEL	Wholesale Fixed Analogue Exchange Lines
SIP	Session Initiation Protocol	WLA	Wholesale Local Access
TDM	Time Division Multiplexing	WLAMR	Wholesale Local Access Market Review
TI	Traditional Interface	WLR	Wholesale Line Rental
TISBO	Traditional Interface Symmetric Broadband Origination	0 or –	A numerical value of <£0.5m and >£(0.5)m
TSO	Technology, Service and Operations	<1	A numerical value of below £1m
TVC	Television Connect		

Glossary and Footnotes List

Footnotes

- (a) ppm = pence per minute; £/2 Mbps cct = £ per 2 Mbps circuit; £/km = £ per kilometre; £/100m = £ per 100 metres; £/trans = £ per transaction; £/circuit = £ per circuit; £/ hostel rental = £ per hostel rental; % = % utilisation; £/line = £ per line; £/room = £ per room; £/cable = £ per cable; £/link = £ per link; £/eq = £ per equipment units; £/le = £ per local end; £/conn = £ per connection; £/channel = £ per channel; £/fibre km = £ per fibre km.
- (b) See Section 2 – Basis of Preparation and Appendix 4 for explanation of restatement.
- (sx) This service comprises a number of individual prices as indicated by the value of x.
- (ux) This service comprises a number of individual volume types as indicated by the value of x.

Additional Information

Additional Information

Hard copy versions of the published RFS and the AMD can be obtained from:

Shareholder helpline

Tel: Freephone 0808 100 4141

Fax: 01903 833371

Textphone: Freephone 0800 169 6907

From outside the UK:

Tel: +44 121 415 7178

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<https://help.shareview.co.uk>

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Electronic copies of the above documents are also available from the following website:

www.btplc.com/Thegroup/RegulatoryandPublicaffairs/Financialstatements/index.htm



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Registered office: 81 Newgate Street, London EC1A 7AJ

Registered in England and Wales No. 1800000

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