



Changes to BT and KCOM's  
regulatory and financial reporting  
2013/14 update

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## Section 1

# Executive Summary

## Background

- 1.1 Regulatory financial information informs many of our decisions. We require this information in order to monitor and enforce various obligations that are placed on dominant providers in markets where they are found to have significant market power ("SMP"). This information needs to be relevant and updated on a timely basis.
- 1.2 In this statement we set out various changes to enhance the presentation and improve the quality of BT's regulatory financial statements ("RFS") reflecting developments over the last 12 months including market reviews, comments from users of the RFS and discussions with BT.
- 1.3 We note that at the same time we are conducting a fundamental review of the regulatory reporting framework to ensure that it is fit for purpose, provides good quality data and provides an effective basis for monitoring compliance. We published a Regulatory Financial Reporting Review consultation in September 2012<sup>1</sup> and a further consultation in December 2013<sup>2</sup>, and we are planning to issue a statement in 2014. The Regulatory Financial Reporting Review has the remit of addressing fundamental issues and proposing changes to financial reporting that will be implemented from 2014/15 financial year. In this document we are proposing short term improvements for the 2013/14 RFS.
- 1.4 We set out our proposals in our consultation published on 11th December 2013 (the "December Consultation"). Those proposals primarily reflected our decisions in the recent Business Connectivity Market Review and the Narrowband Market Review<sup>3</sup>. Other changes on which we consulted were mainly concerned with improving the presentation of the statements including grouping reported data by market review and updating the list of components.

## Scope of this document

- 1.5 This statement sets out our final decisions in respect of the proposals in the December Consultation.
- 1.6 The tables below summarise the issues and objectives we address in this statement and our final decisions taking full account of the responses to the December Consultation.

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<sup>1</sup> <http://stakeholders.ofcom.org.uk/binaries/consultations/reg-financial-report/summary/condoc.pdf>

<sup>2</sup> <http://stakeholders.ofcom.org.uk/consultations/bt-transparency/>

<sup>3</sup> [http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final\\_Statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final_Statement.pdf)

A) PRESENTATION AND DISCLOSURE (Section 3)

<i>Proposal</i>	<i>Decision:</i>
<p>1) Improved disclosure of call origination services</p> <p>We proposed to allow BT to amalgamate two services in the call origination market and two services in the call termination market due to the services being of the same nature and having the same costs and prices.</p>	<p>BT to amalgamate two services in the call origination market and two services in the call termination market.</p> <p>BT no longer need to report PPP services in the call origination market.</p> <p>BT to amalgamate 'Wholesale extensions services other bandwidth rentals – External' and 'Backhaul extension services other bandwidth rentals – External' into 'Other external Ethernet rentals'</p>
<p>2) Improved accessibility</p> <p>We proposed to require BT to group information in the RFS according to market reviews.</p>	<p>BT to group information in the RFS according to market reviews.</p>
<p>3) Disclosure of relevant information</p> <p>We proposed some minor changes to the list of BT's components. These include removing or amalgamating some components with immaterial costs and creating a new 'notional debtor' component.</p>	<p>BT to amend the list of components per our proposal.</p>

B) OUTCOMES FROM MARKET REVIEWS (Section 4)

<i>Issue/Objective</i>	<i>Proposal</i>
<p>Implementation of Business Connectivity market review ('BCMR') and Narrowband market review ('NMR') – DLRIC and DSAC reporting removed</p> <p>1) We proposed to reflect the removal of the cost orientation obligation by removing the requirement on BT to publish DLRIC and DSAC information but instead requiring BT to report annually the DLRIC and DSAC data at service level confidentially to Ofcom in the form of an AFI.</p>	<p>BT to report annually the DLRIC and DSAC data at service level confidentially to Ofcom in the form of an AFI.</p>
<p>Implementation of Business Connectivity market review – new market definitions</p> <p>2) We proposed that BT report the price, revenue and FAC information at the market and service level based on the new market definitions:</p> <ul style="list-style-type: none"> <li>• A separate MISBO market</li> <li>• Splitting AISBO market into WECLA<sup>4</sup> and non WECLA geographic areas</li> <li>• A separate wholesale regional TI trunk segments market (reporting for national trunk no longer required)</li> </ul>	<p>BT to report price, revenue and FAC information at the market and service level based on the new market definitions.</p>

<sup>4</sup> Western, Eastern and Central London Area. Para 1.23 <http://stakeholders.ofcom.org.uk/binaries/consultations/business-connectivity/statement/Sections1-4.pdf>

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Implementation of Business Connectivity market review – retail accounting

3) We proposed that BT report price, volume, revenue and cost information for sub 2 Mb retail TI services to gross margin level in a published AFI.

BT to report price, volume, revenue and cost information for these services to gross margin level in a published AFI.

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Implementation of Narrowband market review - FAC reporting removed

4) We proposed that BT report the FAC information at service level for call origination and call termination in an AFI provided confidentially to Ofcom.

BT to report the FAC information at service level for call origination and call termination in an AFI provided confidentially to Ofcom.

BT not to report single transit information.

We proposed that BT no longer need to report single transit information.

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Implementation of Narrowband market review – reduced reporting for KCOM

5) We proposed that KCOM no longer report call termination and interconnect services.

KCOM not to report call termination and interconnect services.

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- 1.7 BT have also requested that they can amend the look of the Regulatory Financial Statements in 2013/14. This will include re-ordering of some of the reported information with the intention to make the RFS more user friendly. We agree with BT's proposals on the basis that none of the information that is currently published will be lost. We will be considering the format and content of the RFS in more detail as part of the fundamental review referred to in paragraph 1.3 above.

## Section 2

# Introduction

## Background

- 2.1 Relevant, reliable and timely regulatory financial information is required to inform many of our decisions. It is essential therefore that the regulatory reporting framework is kept up to date and fit for purpose.
- 2.2 Under sections 87 to 92 of the Communications Act 2003 (the “Act”) there are a range of remedies that can be implemented by Ofcom once it has been determined that an undertaking has SMP in an identified services market. These include obligations:
- to offer cost-oriented charges;
  - not to discriminate unduly; and
  - to cap charges, i.e. charge controls.
- 2.3 When setting SMP conditions, Ofcom is exercising its duties under sections 3 and 4 of the Act. These include the duty to further the interests of consumers in relevant markets by promoting competition and to act in accordance with the six Community requirements, the first of which is to promote competition. Where these obligations have been imposed it is essential that they are monitored and enforced effectively through, in part, an effective regulatory financial reporting framework.
- 2.4 Regulatory financial information is normally prepared either on a regular (e.g. annual) basis for ongoing monitoring purposes or on request, for example in connection with investigations.
- 2.5 BT’s RFS, like any form of business information, evolve over time to reflect a range of internally and externally driven factors. These include changes to accounting policies and standards, improved understanding or knowledge of cost drivers, changes in technologies and business processes and changes in the regulatory environment.

## The December Consultation

- 2.6 The December Consultation included proposals for several improvements that Ofcom believed were justified in order to maintain a fit for purpose reporting framework.
- 2.7 Responses to the December Consultation were received from BT, Vodafone, Verizon, Virgin Media, and KCOM<sup>5</sup>. Collectively Vodafone, Verizon, Virgin Media and KCOM will be referred to as the other communications providers (OCPs) in the rest of this document.

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<sup>5</sup> The responses are available on our website at:  
<http://stakeholders.ofcom.org.uk/consultations/bt-kcom-financial-reporting-1314/?showResponses=true>



## Structure of the Document

- 2.8 In the December Consultation we invited comments on our proposals by way of questions. This statement sets out these questions as they appeared in the December Consultation, considers the responses received and sets out our final decisions.
- 2.9 The statement has been split into three main subject sections as set out below.
- 2.10 In Section 3 we set out our decisions on the proposals for BT to make improvements to the RFS.
- 2.11 In Section 4 we set out our decisions on the proposals to implement the conclusions of the BCMR and NMR.

## Impact Assessment and Equality Impact Assessment

- 2.12 Section 7 of the Act requires Ofcom to carry out impact assessments where its proposals would be likely to have a significant effect on businesses or the general public, or when there is a major change in Ofcom's activities. Impact assessments form part of best practice policy-making as they provide a valuable way of assessing different options for regulation and showing why the preferred options was chosen. Ofcom is committed to carrying out and publishing impact assessments in relation to the majority of its policy decisions
- 2.13 We set out in the December Consultation that the analysis contained therein contained an impact assessment. In this document we take into account relevant responses and set out our conclusions on the impact of the changes.
- 2.14 Ofcom is also required to assess the potential impact of all our functions, policies, projects and practices on the equality of individuals to whom those policies will apply. Equality impact assessments ('EIAs') assist us in making sure that we are meeting our principal duty of furthering the interests of citizens and consumers regardless of their background or identity.
- 2.15 We have given careful consideration to whether or not our decision will have a particular impact on race, age, disability, gender, pregnancy and maternity, religion or sex equality. We do not envisage that our decision in this statement will have a detrimental impact on any particular group of people.

## Legal Tests

- 2.16 In order to implement our decisions, Ofcom is modifying Directions 1, 3 and 4 under SMP condition OA2 and Directions 3 and 4 under SMP condition OB2. For this purpose, we show how our duties have been met under sections 3, 4, 4A and 49(2) of the Act.

## Sections 3, 4 and 4A – general duties, the six Community requirements and the duty to take account of European Commission recommendations for harmonisation

- 2.17 Section 3 of the Act sets out Ofcom's duties in carrying out its functions, in particular that it furthers the interests of citizens in relation to communications matters and furthers the interests of consumers in relevant markets.

- 2.18 Section 4 of the Act requires that Ofcom acts in accordance with the six Community requirements concerning: the promotion of competition; the development of the European internal market; the promotion of the interests of all EU citizens; non-discrimination; encouraging the provision of network access and service interoperability for the purpose of securing efficiency and sustainable competition, efficient investment and innovation and the maximum benefit for consumers; and facilitating service interoperability and securing freedom of choice for consumers.
- 2.19 Section 4A of the Act requires Ofcom to take into account all applicable recommendations issued by the European Commission under Article 19(1) of the Framework Directive<sup>6</sup>.
- 2.20 We consider that our decisions meet these tests as discussed below.
- 2.21 As part of the relevant EU market review processes Ofcom has imposed wholesale cost accounting and accounting separation obligations (through SMP conditions and associated directions) on BT and KCOM in specific identified markets as part of the appropriate remedies to its SMP in these markets. The relevant individual market reviews determined that these regulatory accounting obligations met the tests outlined in Sections 3, 4 and 4A of the Act.
- 2.22 Our decisions are designed to enable BT and KCOM to more effectively fulfil the purpose for which these particular obligations were imposed. They seek to ensure that decisions taken in the market reviews, notably BCMR and NMR, are fully reflected in the accounts. They also ensure that the presentation and usability of the RFS is improved, through proposals to amalgamate some services; to report market data grouped by market review, and to make some changes to the component list. The proposals thereby seek to ensure the RFS remain relevant, thereby increasing transparency. Ultimately, this promotes competition.
- 2.23 In modifying the Directions, Ofcom has also taken into account all applicable recommendations issued by the European Commission under Article 19(1) of the Framework Directive, in particular Commission Recommendation of 19 September 2005 on accounting separation and cost accounting systems under the regulatory framework for electronic communications<sup>7</sup>.
- 2.24 In consequence Ofcom believes the proposed amendments meet the tests in Sections 3, 4 and 4A.

## Section 49(2) tests

- 2.25 Ofcom can modify a direction that gives effect to an SMP obligation under section 49<sup>8</sup> of the Act but only where it is satisfied that the tests under section 49(2) have been met. The tests are that the modification of the direction is:
- a) objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;

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<sup>6</sup> Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common framework for electronic communications and services (OJ L 108 24.04.2002, p33), as amended,

<sup>7</sup> OJ L 266 11.10.2005, p64. This recommends, amongst other things, that "a national regulatory authority, when assessing the features and specifications of the cost accounting system, reviews the capability of the notified operator's cost accounting system to analyse and present cost data in a way that supports regulatory objectives", and that "national regulatory authorities make relevant accounting information from notified operators available to interested parties at a sufficient level of detail" (see paragraphs 3 and 5 respectively).

<sup>8</sup> As amended by the Electronic Communications and Wireless Telegraphy Regulations 2011/1210.

- b) not unduly discriminatory against particular persons or against a particular description of persons;
- c) proportionate to what it is intended to achieve; and
- d) transparent in relation to what it is intended to achieve.

2.26 We discuss how our decisions meet each of these tests in Sections 3 and 4 of this consultation.

### **Sections 49A and 49B**

2.27 Sections 49A and 49B set out the relevant procedures that must be followed for domestic and EU consultations respectively on proposals to modify directions. Section 49A applies where the proposals are for the purposes of:

- a) an SMP apparatus condition<sup>9</sup>; or
- b) any other condition set under section 45 where what is proposed would, in Ofcom's opinion, have a significant impact on a market for any of the services, facilities, apparatus or directories in relation to which Ofcom has functions under Chapter 1 of Part 2 of the Act<sup>10</sup>.

2.28 Section 49B applies where the decisions are of EU significance. Section 150A(2) sets out the cumulative criteria that must be satisfied in order for a proposal to be of EU significance.

2.29 We explained in the December Consultation that section 49A and 49B do not apply to our decisions.

### **Conclusion**

2.30 In summary, Ofcom considers that the decisions set out in Sections 1 to 4 of this document are necessary and appropriate because they represent amendments and enhancements required to maintain the relevance and usefulness of the financial statements.

2.31 We will work closely with BT to ensure the implementation of the final requirements is carried out as efficiently as possible.

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<sup>9</sup> See section 49A(1)(a).

<sup>10</sup> See section 49A(1)(b).

## Section 3

# Updated Requirements: Presentation and Disclosure

## Introduction

- 3.1 In the December Consultation we proposed three reporting changes. These changes relate solely to BT. We present our conclusions below having fully taken into account respondents' views on these proposals and our duties under the Communications Act 2003, as set out in Section 2 and below.

## Disclosure of Call Origination and Call Termination Services

### Question 1: Do you agree with Ofcom's proposed amalgamation of certain services of the same nature in the Call Origination and Call Termination markets?

#### Summary of Change

- 3.2 In our December consultation we proposed to require BT to amalgamate some of the services reported separately in 2012/13 in the Call Origination and Call Termination markets.<sup>11</sup>
- 3.3 The purpose of the proposal was to ensure the RFS reporting is focused on the main regulated services and the reporting reflects the nature of the services.

#### Stakeholder Responses

- 3.4 OCPs and BT agreed with the proposal.
- 3.5 BT also noted in their response that in the NMR Ofcom decided the following: 'Administrative costs have previously been recovered via BT's separate PPP charge. However, as set out in Annex 6, we have decided to include a contribution to these costs in calculating wholesale call origination rates and, to the extent we consider it to be incremental, within wholesale call termination rates.'<sup>12</sup> BT therefore suggested

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<sup>11</sup> We proposed to require BT to amalgamate the following services into a new service called 'Internal Wholesale call originating local exchange segment PSTN and ISDN (inc OA)':

- 'Internal Wholesale call originating local exchange segment (ISDN) (inc OA)' and

- 'Internal Wholesale call originating local exchange segment (incl Operator Assistance)'

We also proposed to require BT to amalgamate the following services into a service called 'Internal Wholesale call termination local exchange segment PSTN and ISDN (inc OA)'.

- 'Internal Wholesale call termination local exchange segment (ISDN) (inc OA)' and

- 'Internal Wholesale call termination local exchange segment (inc Operator Assistance)'

<sup>12</sup> Para 8.71 [http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final\\_Statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final_Statement.pdf)

that they should no longer be required to report PPP (product management, policy and planning) charges separately in the call origination market.

3.6 BT also requested that the following services in the AISBO market can be amalgamated:

- 'Wholesale extension services other bandwidth rentals – External'
- 'Backhaul extension services other bandwidth rentals –External'

Into a service called 'Other external Ethernet rentals'.

3.7 BT explained that the services are closed to new supply and the revenue for the services is low (£nil and £6m respectively in 2012/13 and below £5m for each of the services according to the BT forecast for 2013/14).

### Decision

3.8 We have decided to adopt the proposed changes. The exact detail of the reporting changes is outlined in Annex 4 on pages 63, 72 and 74.

3.9 We also consider that since the NMR decided that PPP costs will be recovered through different services, a requirement for separate reporting of PPP services becomes redundant. We therefore decided that BT no longer need to report 'Internal Wholesale PPP' and 'External Wholesale PPP' services in the Call Origination market.

3.10 We also decided to allow BT to amalgamate 'Wholesale extensions services other bandwidth rentals – External' and 'Backhaul extension services other bandwidth rentals – External' into 'Other external Ethernet rentals' as these services have low revenues and have been withdrawn from new supply. This is consistent with our decisions in recent years to allow BT to amalgamate services with immaterial revenues in order to focus reporting on more relevant and growing services.

### Legal Tests

3.11 In order to implement these changes Ofcom is modifying Direction 4. We have set out how we have satisfied the legal tests under section 49(2) of the Act to implement these changes below. We have set out how we satisfied the legal tests under sections 3, 4 and 4A of the Act in the Introduction.

### Section 49(2) tests

3.12 We consider that the modification to Direction 4 meets the criteria set out in section 49(2) of the Act.

3.13 The modification is:

- objectively justifiable; as the modification will still allow us to monitor whether BT is complying with its SMP obligations in these particular markets. The more granular reporting that is currently in place is not appropriate;
- not unduly discriminatory; as there is no obligation on any other operator with SMP in the Call Origination and Call Termination markets to report these services separately. We are now removing this requirement for BT;

- proportionate; as reporting of these services separately is not required in order for us to monitor BT's compliance with its obligations;
- transparent; as it is clear the intention is to remove reporting that is not necessary.

## Disclosure of Market Results

### Question 2: Do you agree with the proposed changes to the presentation of the RFS?

#### Summary of change

- 3.14 We proposed to require BT to group market results in the RFS in accordance with market reviews.
- 3.15 We considered that it would make the RFS more accessible and user friendly if the market results were grouped by market review instead of the current 'Access' and 'Other Wholesale' categories. The change requires the information currently reported in the RFS to be re-ordered without any loss of the information.

#### Stakeholder responses

- 3.16 OCPs and BT agreed with the change.
- 3.17 Vodafone also said that they see a need for an annual profitability statement that would show BT's profits in aggregate across SMP markets without the need for CPs to estimate the effect of regulatory adjustments.

#### Decision

- 3.18 We decided to adopt the proposal. The exact detail of reporting changes is outlined in Annex 3 on pages 33-40 and in Annex 4 on pages 51-53.
- 3.19 We noted Vodafone's thoughts on a statement that would show BT's profitability in the regulated markets. The issue of understanding BT's performance and appropriate reporting to that effect is being considered in the fundamental review and the consultation welcomed views on the issue.<sup>13</sup> The decision will be taken in the fundamental review.

#### Legal Tests

- 3.20 In order to implement these changes Ofcom is modifying Directions 3 and 4. We have set out how we have satisfied the legal tests under section 49(2) of the Act to implement these changes below. We have set out how we satisfied the legal tests under sections 3, 4 and 4A of the Act in the Introduction.

#### Section 49(2) tests

- 3.21 We consider that the modification to Directions 3 and 4 meets the criteria set out in section 49(2) of the Act.

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<sup>13</sup> Para 6.9-6.11 <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-transparency/summary/BTRFS.pdf>

3.22 The modification is:

- objectively justifiable; as the RFS is a long and complicated document, containing large amounts of data, which is used by Ofcom and stakeholders to amongst other things, monitor BT's compliance with its SMP obligations. Grouping market results presented in the RFS by market review will help make the accounts more user-friendly for stakeholders, and thus aid transparency;
- not unduly discriminatory; as BT's regulatory accounts are far more complex and longer than the accounts produced by KCOM. There is therefore less of a need for KCOM to change the presentation of its accounts to make them easier for stakeholders to understand;
- proportionate; as this proposal is mainly about re-ordering the information that BT already produces;
- transparent; as it is clear the intention is to make BT's RFS more user friendly.

## Changes to the list of components

### Summary of Proposed Change

3.23 In the December Consultation we proposed some minor changes to the component list, including the introduction of 'notional debtor' component, removal/amalgamation of components with low cost and changes to the names of some components.

3.24 The proposed changes were:

- Removing 'Access Cards (ISDN2 services)', 'Border Gateway and signalling firewall' and 'MSAN METRO Connectivity Link'.
- Amalgamating 'MSAN POSI Voice Link' with 'iNode (call set up and features)'
- Creating a separate 'notional debtor' component.
- Changing the names of components as follows:
  - 'Local Loop Unbundling room build' to 'Co-mingling new provides';
  - 'Local Loop Unbundling hostel rentals' to 'Co-mingling rentals';
  - 'Local Loop Unbundling hostel rentals power and vent' to 'Co-mingling rentals power and vent';
  - 'Local Loop Unbundling tie cables' to 'Tie cables'.

3.25 The component list was last updated by Ofcom in 2008 in the regulatory financial reporting obligations statement published on 26 June 2008<sup>14</sup>. Network components are a fundamental building block of the regulatory framework and we considered that it is important that the component list is up to date and the relevant information is disclosed.

<sup>14</sup> <http://stakeholders.ofcom.org.uk/binaries/consultations/btregs08/statement/statement.pdf>

### Stakeholder responses

3.26 Stakeholders did not object to the proposal.

### Decision

3.27 We decided to adopt the proposal to modify the list of components.

3.28 The exact detail of the changes is outlined in Annex 2 on pages 26-29.

### Legal Tests

3.29 In order to implement these changes Ofcom is modifying Direction 1. We have set out how we satisfied the legal tests under section 49(2) of the Communications Act to implement these changes below. We have set out how we satisfied the legal tests under sections 3,4 and 4A in the Introduction.

### Section 49(2) tests

3.30 The modification is:

- objectively justifiable; as the updated component list will enable Ofcom to more effectively monitor compliance and enforce BT's obligations for cost recovery and price controls ;
- not unduly discriminatory; as KCOM is the only other provider for whom Ofcom stipulates a list of components and we have not received any information that would indicate that KCOM's component list is inappropriate;
- proportionate; as this proposal is necessary for the list of network components to secure its main purposes, such as enabling costs to be objectively attributed to regulated wholesale services on a causal basis;
- transparent; as it is clear the intention is to make sure that BT's component list remains fit for purpose.



## Section 4

# Outcomes of market reviews concluded in 2013

**Question 4: Do you think we have fairly reflected the decisions of the relevant market reviews In the scope, form and content of the RFS?**

## Introduction

- 4.1 Two market reviews have completed in the last year which trigger changes to BT's and KCOM's RFS: the Business Connectivity market review, which was published in March 2013 and the Narrowband market review, published in September 2013. We proposed changes to the RFS in the December Consultation to implement the outcomes of the market reviews.
- 4.2 Annex 1 to this Statement also provides a summary of all markets in which BT has been found to have SMP and in which regulatory financial reporting obligations are currently in place.

## Removal of cost orientation

### Summary of change

- 4.3 One of the outcomes of the BCMR and the NMR insofar as affects BT's regulatory financial reporting, was the removal of the cost orientation obligation for all services. In light of this decision, BCMR also decided that the DLRIC and DSAC numbers for these services will no longer need to be published by BT but that we still require for these figures to be produced.<sup>15</sup> The NMR decided that BT no longer need to publish DLRIC and DSAC information but will be required to provide such information to Ofcom on an annual basis.<sup>16</sup>
- 4.4 In the December Consultation we proposed that BT provide DLRIC and DSAC data per service for the markets as defined in the BCMR and the NMR to Ofcom as part of a new AFI. The content of the AFI would be similar to the DSAC and DLRIC information provided for the relevant markets in the 2012/13 RFS. We proposed that BT will no longer be required to publish DLRIC and DSAC data for these markets in the RFS.
- 4.5 We proposed that this and other decisions in the NMR and the BCMR that impact BT's reporting in 2013/14 apply for the full 2013/14 financial year. We considered that the new reporting basis reflects the situation in the markets and therefore provides the most relevant data to stakeholders.

<sup>15</sup> Para 16.15, <http://stakeholders.ofcom.org.uk/binaries/consultations/business-connectivity/statement/Sections8-16.pdf>

<sup>16</sup> Para 6.196, [http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final\\_Statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final_Statement.pdf)

## Stakeholder responses

- 4.6 Verizon disagreed with the proposal and asked that DSAC and DLRIC information continues to be published in the RFS. Verizon stated that this is valuable information to stakeholders even in the absence of the cost orientation obligation as it provides OCPs with an understanding of BT's costs. Both Verizon and Virgin Media also noted that there is no material extra cost to BT if this information is published as it will be provided to Ofcom in any case.
- 4.7 Verizon also said that continuing to publish the DLRIC and DSAC data would be consistent with Ofcom's proposal to publish the AFI for sub 2Mb retail TI services (currently provided to Ofcom confidentially).
- 4.8 Vodafone stated that it is important that DLRIC and DSAC information remains visible saying that scrutiny by stakeholders over regulated charges is important.
- 4.9 Vodafone also asked Ofcom to provide guidance over how it would use the DLRIC and DSAC information in the future and provide adequate disclosure to stakeholders.
- 4.10 Virgin Media said that since the decision not to require BT to publish DLRIC and DSAC data was made in the BCMR, it is logical for this document to reflect this decision. However, Virgin Media oppose the lack of the underlying LRIC cost information for the services which are subject to the fair and reasonable charges obligation.
- 4.11 Vodafone also disagreed with our proposal to apply the remedies introduced in the NMR statement for the full 2013/14 year. Vodafone said that they expected the remedies set by the previous NMR to apply for the duration of the market review period, which in Vodafone's interpretation is until this statement is published in February.

## Decision

- 4.12 We have decided to adopt the proposals for BT to provide the DLRIC and DSAC information for BCMR and NMR services to Ofcom in the form of an AFI on a confidential basis. BT will no longer be required to publish this information in the RFS. We decided that the new reporting will apply for the full 2013/14 reporting year. The exact detail of reporting changes can be found in Annex 4 on pages 54-74.
- 4.13 As noted above, the decision to remove the DLRIC and DSAC reporting in the BCMR and NMR markets was taken in the relevant market reviews and (as also pointed out in Virgin Media's response) this document merely implements these decisions. The rationale for the removal of cost orientation, and as a consequence the removal of the need for DLRIC and DSAC reporting is fully explained in the market reviews.
- 4.14 We note the OCPs' comments regarding the need for transparency and scrutiny by stakeholders and the fact that there is no cost burden for BT to publish the information if it already produces it for Ofcom.
- 4.15 We considered whether scrutiny by OCPs is a sufficient reason to require publication of DLRIC and DSAC information in the absence of a cost orientation obligation in the 'Changes to BT and KCOM regulatory and financial reporting: 2012/13 update' published on 25<sup>th</sup> April 2013 ('The April 2013 Statement'). We decided that while the

scrutiny of the numbers of OCPs is welcome, it was not a sufficient reason to require reporting in that case.<sup>17</sup> We remain of that view here.

- 4.16 We also considered whether LRIC reporting is required for services where a fair and reasonable charges obligation applies in the April 2013 Statement. We explained that to assess if a charge is fair and reasonable involves consideration of a large number of factors. DLRIC and DSAC information is not necessarily needed to see if a charge is fair and reasonable and would have to be considered in conjunction with other information. Consequently, we concluded that there is no reporting obligation arising from the fair and reasonable obligation.<sup>18</sup> We remain of that view here.
- 4.17 We note that we have been asked to provide guidance on how Ofcom will use the DLRIC and DSAC data provided in confidence. Such guidance and the reasons for Ofcom requesting the information is included in the NMR statement, where we said that the DLRIC and DSAC data 'informs our market reviews, in particular our assessment of SMP and our analysis of appropriate remedies where such SMP is present'.<sup>19</sup>
- 4.18 We also considered Verizon's comment that as we are making the sub 2Mb retail TI information public (previously reported in an AFI to Ofcom), the DLRIC and DSAC information can also remain public. However, the two instances are not directly comparable. Sub 2Mb retail TI is subject to a new cost accounting obligation introduced by the BCMR. Therefore, the requirement to report the information on these services to stakeholders stems from this obligation. In the case of DLRIC and DSAC data for BCMR and NMR services, such information was reported in the RFS while a cost orientation obligation existed. This obligation was removed in the latest market reviews, therefore there is now no requirement to report such information. This is consistent with the sub 2Mb retail TI reporting, in that the reporting follows the imposed remedy.
- 4.19 We also note Vodafone's concern over the timing of the changes in the NMR markets. We said in the December Consultation that the new set of remedies introduced by the NMR will apply for the full 2013/14 financial year, although the NMR statement was published in September 2013. Vodafone was in particular concerned that Ofcom obtain an understanding of the costs involved in providing single transit, in relation to which SMP regulation was removed in the 2013 NMR.
- 4.20 We have considered the alternatives to applying the new NMR reporting requirements for the full financial year. The first alternative would be to require BT to produce the accounts for the NMR markets on the old basis for the first 6 months of 2013/14 and on the new basis for the rest of the year. However, BT are unable to produce the RFS on a piecemeal basis. The second alternative would be to require BT to produce the 2013/14 RFS on the basis that existed before September 2013 for the full financial year. However, we considered that in this case, it would not be proportionate to do so. In particular with respect to reporting of single transit, we note that the 2013 NMR removed SMP regulation because we considered competition law would be sufficient to address any competition concerns. While we have in the past extended reporting obligations to cover the full financial year where the relevant SMP

<sup>17</sup> Para 4.26 <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-kcom-2012-13/statement/bt-kcom-statement.pdf>

<sup>18</sup> Para 4.24 <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-kcom-2012-13/statement/bt-kcom-statement.pdf>

<sup>19</sup> Para 5.404 [http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final\\_Statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final_Statement.pdf)

conditions where amended part-way through the year (in particular in the 2009 NMR in relation to single transit reporting), we would only expect to do so where clearly justified by the circumstances.

## Changes to market definitions

### Summary of change

- 4.21 In the December Consultation we proposed that from 2013/14 reporting will be required against new market definitions in accordance with the BCMR findings. We proposed that BT's reporting in the RFS reflects the market definitions in the BCMR statement. The proposed changes included reporting market level revenues and costs, as well as prices and FAC at a service level for the following markets:
- A separate MISBO market;
  - Splitting AISBO market into WECLA and non WECLA geographic areas;
  - A separate wholesale regional TI trunk segments market (supercedes national trunk reporting)<sup>20</sup>.
- 4.22 We also proposed that TI reporting is retained for high and medium bandwidth TI non WECLA services only in accordance with BCMR findings.
- 4.23 We proposed that BT report the same services in the AISBO WECLA market as they currently report in AISBO, where services with forecast revenues below £5m can be amalgamated.

### Stakeholder responses

- 4.24 Vodafone expressed disappointment that we did not propose to improve BT's reporting for NGA. Vodafone would like to see internal and external sales split by FTTP and FTTC variants in 2013/14 and believe that this reporting change can happen ahead of a market review.
- 4.25 Vodafone also mentioned what they see as a lack of progress to improve transparency for Ethernet Backhaul Direct reporting. Vodafone would like to see a similar level of reporting as for Ethernet Access Direct, with internal and external volumes for the product reported separately.
- 4.26 BT asserted that our proposals for the amalgamation of services are insufficient. BT consider that the publication of costs should be at a market or a charge control level at most.
- 4.27 BT also asked that in our proposals to require BT to report a new MISBO market, we fully reflect the BCMR market definition, which defined it as the MISBO market excluding the Hull area and the WECLA geographic region.

### Decision

- 4.28 We decided to adopt our proposals. For avoidance of doubt, we expect to see reporting for the MISBO market as defined in the BCMR, excluding Hull and WECLA. The exact detail of the reporting can be seen in Annex 4 on pages 59-69.

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<sup>20</sup> Comparatives and 622Mb/s service reporting not required.

- 4.29 In the December Consultation we said that we expected BT to be able to provide forecast revenues for services in the AISBO WECLA and MISBO non WECLA markets before we issued the final statement, in order to provide specific guidance as to which services will be reported in the 2013/14 RFS.
- 4.30 We have received the revenue forecasts from BT for 2013/14 and we have included the reporting templates for the services that we require BT to report in AISBO WECLA on pages 64-67 and for MISBO on pages 82-83.
- 4.31 In the AISBO WECLA market we allowed BT to amalgamate services where forecast revenues from 2013/14 onwards are below £5m as this is consistent with our well established approach and BT do not expect any further growth for these services.
- 4.32 In the MISBO non WECLA market, we require BT to report all services irrespective of current revenue, given that we expect growth in this market.
- 4.33 BT are unable to split the estimates of Excess Construction Charges and Equipment depreciation between AISBO WECLA and non WECLA. We therefore decided that it would be appropriate for BT to continue to report the full amount of revenue and costs for these services in the AISBO WECLA, as they do currently.
- 4.34 Vodafone also raised the question of NGA reporting, which is the same question that they raised last year. We addressed this in our April 2013 Statement, where we said:

“Regarding NGA reporting, under section 87 of the Communications Act (which is where the core obligation for BT’s regulatory financial reporting is found<sup>21</sup>), we can only impose reporting obligations on BT “where OFCOM has made a determination that [BT] has significant market power in an identified services market”, i.e. on the basis of outcomes from market reviews and charge controls.

The October 2010 WLA market review found that BT has SMP in the UK market for WLA service and imposed remedies, including remedies relating to the provision of VULA<sup>22</sup>. However, these remedies currently do not require any financial reporting. This is because, for the reasons set out in the 2010 WLA market review statement, NGA services are currently not charge controlled, and as a consequence, it has not been considered necessary or appropriate to impose more detailed reporting. Any future remedies relating to NGA will be considered as part of the next Wholesale Local Access review.”<sup>23</sup>

- 4.35 We continue to hold this view.
- 4.36 We note that Vodafone also raised the issue of EBD volumes reporting in previous years. We investigated this in detail in 2012/13 and included our reasoning in the April 2013 Statement.<sup>24</sup> As a result, internal and external EBD volumes were reported separately for the first time in the 2012/13 RFS. It is unclear from Vodafone’s response what further reporting on EBD volumes they would like to see.

<sup>21</sup> Further obligations are found in paragraphs 5.30 – 5.32 of the Undertakings.

<sup>22</sup> [http://stakeholders.ofcom.org.uk/binaries/consultations/wla/statement/WLA\\_statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/wla/statement/WLA_statement.pdf)

<sup>23</sup> Para 3.41-3.42 <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-kcom-2012-13/statement/bt-kcom-statement.pdf>

<sup>24</sup> Para 3.35-3.40 <http://stakeholders.ofcom.org.uk/binaries/consultations/bt-kcom-2012-13/statement/bt-kcom-statement.pdf>

We also note that the fundamental review of regulatory reporting is currently taking place and one of the issues that is being considered is the appropriate reporting for products with an Equivalence of Input obligation.

- 4.37 We also note BT's comment that we should only require cost reporting at a market or a charge control basket level. The issue of the appropriate level of reporting for the RFS in general is being considered in the fundamental review of regulatory reporting.

## Retail reporting

### Summary of change

- 4.38 The BCMR imposed a retail cost accounting obligation on the sub 2Mb retail TI services. We proposed that BT publish the information for sub 2Mb retail TI services that is currently provided in confidence to Ofcom. We proposed that BT report prices, revenues and costs to gross margin level for the services in an AFI published online together with BT's RFS.

### Stakeholder responses

- 4.39 BT suggested some minor changes to the template headings of sub 2Mb retail TI services to reflect the current terminology. Namely,
- 'Speech/Keyline Rentals' updated to 'Analogue Private Circuit Rentals';
  - 'Kilostream N64 Connections' updated to 'Kilostream N Connections';
  - 'Kilostream N64 Renatls' updated to 'Kilostream N Rentals'.
- 4.40 We did not receive any other responses from stakeholders on this issue.

### Decision

- 4.41 We decided to adopt the proposal. We have also decided to update the template headings in the AFI to reflect the latest terminology as suggested above. The detail of the proposed AFI is included in Annex 4 on pages 85-86.

## Reduced reporting for narrowband markets

### Summary of proposed change

- 4.42 The NMR removed the requirement for BT to publish FAC per service in call origination and call termination markets. All regulation was also removed from single transit.
- 4.43 In the December Consultation we proposed that BT no longer report FAC information per service in call origination and call termination markets. We proposed that BT provides this information annually to Ofcom in the form of a confidential AFI. We also proposed that BT no longer report any information for the single transit market.

### Stakeholder responses

- 4.44 Vodafone expressed their concern about the removal of FAC reporting by component that is related to the provision of emergency call services. They explained they fear

that prices for the service will increase due to BT's dominant position. Vodafone further explained that emergency call handling costs are a material proportion of call origination costs and therefore they would like to continue to see such costs in the RFS or to see a more robust analysis from Ofcom into the costs of provision.

## Decision

- 4.45 We have decided to adopt the proposals. The exact detail of the reporting changes can be seen in Annex 4 on pages 70-74.
- 4.46 We considered Vodafone's request to retain visibility of emergency call handling costs. As we explained in the December Consultation, the NMR modelled the charge control for call origination and call termination markets based on a hypothetical network rather than BT's actual costs. Consequently, the NMR considered that it was not proportionate to require BT to report FAC per service in these markets.<sup>25</sup> Given the modelling is based on a hypothetical network, there is also no requirement for reporting by component.

## Implications for KCOM

### Summary of proposed change

- 4.47 We proposed that KCOM call termination market information is no longer reported, following the removal of reporting requirements by the NMR.

### Stakeholder responses

- 4.48 KCOM noted that call origination is only subject to an accounting separation obligation following the NMR, while it was previously subject to cost orientation and cost accounting obligations. KCOM requested a clarification on whether any changes need to be made to KCOM's reporting as a result.

## Decision

- 4.49 We decided to adopt our proposals. The exact detail of the reporting can be seen in Annex 6 on pages 93-94.
- 4.50 With regard to KCOM's request for clarification, historically there was no reporting for call origination in KCOM's RFS that was specifically put in place to reflect the requirements of cost orientation and cost accounting obligations. Hence, no changes are required following the NMR decision.

## Legal Tests

- 4.51 In order to to implement the outcomes of the BCMR and NMR, Ofcom is modifying Directions 3 and 4 under SMP condition OA2 and Directions 3 and 4 under SMP condition OB2. We have set out how we have satisfied the legal tests under section 49(2) of the Communications Act to implement these below. We have set out how we satisfied the legal tests under sections 3,4 and 4A of the Act in the Introduction.

<sup>25</sup> Para 5.406 [http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final\\_Statement.pdf](http://stakeholders.ofcom.org.uk/binaries/consultations/nmr-2013/statement/Final_Statement.pdf)

## **Section 49(2) tests**

4.52 The modifications to implement the outcomes of the BCMR and NMR are:

- objectively justifiable; as by amending reporting requirements, we reflect the decisions of the BCMR and the NMR. In particular, reporting BT's sub 2Mb retail TI information in a published AFI is required to demonstrate compliance with the cost accounting obligation;
- not unduly discriminatory; as it aligns BT's and KCOM's reporting to their SMP obligations;
- proportionate; as the changes are no more than is required in order to implement the decisions of the BCMR and the NMR, and do not extend beyond these;
- transparent; as it is clear the intention is to make sure that the RFS remains fit for purpose and adequately reflect the outcomes of the BCMR and the NMR.



## Annex 1

# Summary regulatory reporting requirements

<b>SMP service market (wholesale)</b>	<b>Cost accounting</b>	<b>Accounting separation</b>
Wholesale analogue exchange line services in the UK excluding the Hull Area	Yes	Yes
Wholesale ISDN2 exchange line services in the UK excluding the Hull Area	Yes	Yes
Wholesale ISDN30 exchange line services in the UK excluding the Hull Area	No	Yes
Wholesale call origination on a fixed narrowband network in the UK excluding the Hull Area	Yes	Yes
Call termination services that are provided by BT to another communications provider, for the termination of voice calls to United Kingdom geographic numbers in the area served by BT	Yes	Yes
Wholesale broadband access in Market 1 as defined in Ofcom's Notification published on 3 December 2010	Yes	Yes
Wholesale broadband access in Market 2 as defined in Ofcom's Notification published on 3 December 2010	Yes	Yes
Wholesale market for low bandwidth traditional interface symmetric broadband origination in the UK excluding the Hull Area, at bandwidths up to and including 8Mbit/s	Yes	Yes
Wholesale market for medium bandwidth traditional interface symmetric broadband origination in the UK excluding the Hull Area and the WECLA, at bandwidths above 8Mbit/s and up to and including 45 Mbit/s	Yes	Yes
Wholesale market for high bandwidth traditional interface symmetric broadband origination in the UK excluding the Hull Area and the WECLA, at bandwidths above 45 Mbit/s and up to and including 155 Mbit/s	Yes	Yes
Wholesale market for low bandwidth alternative interface symmetric broadband origination in the WECLA, at bandwidths up to and including 1Gbit/s	Yes	Yes
Wholesale market for low bandwidth alternative interface symmetric broadband origination in the UK excluding the Hull Area and the WECLA, at bandwidths up to and including 1Gbit/s	Yes	Yes
Wholesale market for multiple interface symmetric broadband origination in the UK excluding the Hull Area and the WECLA	Yes	Yes
Wholesale market for traditional interface regional trunk segments at all bandwidths in the UK	Yes	Yes
Wholesale local access services within the UK, but not including the Hull Area	Yes	Yes

<b>SMP service market (retail)</b>	<b>Cost accounting</b>	<b>Accounting separation</b>
Retail market for very low bandwidth traditional interface leased lines in the UK excluding the Hull Area, at bandwidths below 2Mbit/s	Yes	No

## Annex 2

# Modifications to Direction 1 and the FA10 Network Components Direction (BT)

## Direction modifying Directions under section 49 of the Communications Act 2003 and SMP services condition OA2 specifying network components

### BACKGROUND:

(A) As a result of a market analysis carried out by OFCOM in accordance with section 79 of the Act, BT has been designated as having SMP in respect of certain identified markets in accordance with section 79 of the Act.

(B) As a result of such SMP designations, BT has been subject to various SMP services conditions in accordance with sections 45 and 86 to 92 of the Act, including:

- a) conditions OA1 to OA34 and FA10, imposing obligations on BT in respect of wholesale cost accounting, retail cost accounting and accounting separation in relation to BT's activities in those markets where BT has been designated as having SMP; and
- b) in relation to certain markets where BT has been designated as having SMP, conditions imposing, amongst other things, requirements in respect of the publication of reference offers and the notification of prices which have effect by reference to the network components which they use;

(C) The FA10 SMP services conditions have now been revoked in accordance with section 48 of the Act, but BT remains subject to conditions OA1 to OA34.

(D) In the SMP services conditions referred to in paragraph B above, network components are defined to mean the network components specified in any direction given by Ofcom from time to time for the purpose of those conditions;

(E) Condition OA2 includes, and condition FA10 included, in accordance with section 45(10) of the Act, the ability for OFCOM to make such directions as they consider appropriate from time to time in relation to BT's obligations under conditions OA1 to OA34 and FA10, respectively;

(F) OFCOM has made such directions under conditions OA2 and FA10.2 in relation to obligations under conditions OA1 to OA34 and FA10, although those made under condition FA10.2 now have force as if made under condition OA2 and are to be read accordingly.

(G) This Direction modifies:

- i) Direction 1 given under SMP Services Condition OA2 at Annex 4 of The Regulatory Financial Reporting obligations on BT and Kingston Communications statement, dated 22 July 2004 ("Direction 1"), as modified at Annex 1 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; Annex 1 of the *Changes to BT's Regulatory Financial Reporting and Audit Requirements*, dated 16 August 2006; and Annex 3 of the *Changes to BT's*

*2007/08 regulatory financial statements*, dated 26 June 2008, which specifies the network components which apply for the purposes of the SMP conditions referred to in recital (B); and

- ii) a Direction given under SMP Services Condition FA10.2 at Schedule 2 to the Notification set out in Annex 2 of the Review of the wholesale local access market, dated 16 December 2004 (the "FA10 Network Components Direction"), as modified at Annex 1 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; Annex 1 of the *Changes to BT's Regulatory Financial Reporting and Audit Requirements*, dated 16 August 2006; and Annex 3 of the *Changes to BT's 2007/08 regulatory financial statements*, dated 26 June 2008, which specifies the network components which apply for the purposes of of the SMP condition referred to in recital (B).

(H) For the reasons set out in the explanatory statement accompanying this Direction, OFCOM are satisfied that, in accordance with section 49(2) of the Act, this Direction is:

- i. objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
- ii. not such as to discriminate unduly against particular persons or against a particular description of persons;
- iii. proportionate to what it is intended to achieve; and
- iv. in relation to what it is intended to achieve, transparent.

(I) For the reasons set out in the explanatory statement accompanying this modified Direction, Ofcom have considered and acted in accordance with the six Community requirements set out in section 4 of the Act, with their duty in section 4A of the Act, and with their duties in section 3 of the Act;

(J) In accordance with section 49C of the Act, a copy of this Direction will be sent to the Secretary of State and the European Commission.

## **DECISION**

1. Ofcom directs that the network components which apply for the time being for the purposes of the SMP services conditions referred to in recital (B) above are those specified in the Annex to this Direction.

2. For the purpose of interpreting this Direction, the following definitions shall apply:

- a) "Act" means the Communications Act 2003 (c. 21);
- b) "BT" means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
- c) "OFCOM" means the Office of Communications;
- d) "Notification" means the Notification which set in place the obligations on BT referred to in recital (B)(a) of this Direction above; and

3. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this notification and otherwise any word or expression shall have the same meaning as it has in the Notification and otherwise any word or expression shall have the same meaning as it has in the Act.

4. For the purpose of interpreting this modified Direction:

- a) headings and titles shall be disregarded; and
- b) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

5. This Direction shall take effect on the day it is published.

6. The Annex to this Direction shall form part of this Direction.

**David Brown**

**Director of Competition Finance, Ofcom**

**A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002**

**3 April 2014**

## Annex

The network components set out in Annex to Direction 1 and the FA10 Network Components will be as shown below.

1. Local exchange concentrator
2. Local exchange processor
3. Remote - local transmission link
4. Remote - local transmission length
5. Product management policy & planning
6. Interconnect local end rental 2Mbit/s
7. Interconnect 2Mbit/s connection
8. Interconnect extension circuits (IEC) 2Mbit/s link
9. Customer Sited Interconnect cct (CSI) 2Mbit/s link
10. Interconnect extension circuits (IEC) 2Mbit per km
11. Customer Sited Interconnect cct (CSI) 2Mbit per km
12. In Span Interconnect circuits (ISI) transmission
13. Nominated In Span I/Connect cct (ISI) transmission
14. Intra Building Circuit (IBC) connection
15. Intra Building Circuit (IBC) rental
16. PC rental 2Mbit/s link per km distribution
17. PC rental 2Mbit/s link per km trunk
18. PC rental 34Mbit/s link per km distribution
19. PC rental 34Mbit/s link per km trunk
20. PC rental 140Mbit/s link per km distribution
21. PC rental 140Mbit/s link per km trunk
22. PC rental 622Mbit/s link per km trunk
23. Point of Handover electronics
24. PC rental 64kbit/s link
25. PC rental 2Mbit/s link
26. PC rental 34Mbit/s link
27. PC rental 140Mbit/s link
28. PC rental 64kbit/s link per km transmission
29. 64kbit/s PC link connection cct provision

30. 2Mbit/s and above PC link connection cct provision
31. PC rental 64kbit/s link local end
32. PC rental 34Mbit/s link local end
33. PC rental 140Mbit/s link local end
34. PC rental 2Mbit/s local end copper
35. PC rental 2Mbit/s local end fibre
36. Wholesale & LAN extension services fibre etc
37. Backhaul extension services fibre etc
38. Ethernet Electronics
39. Ethernet main links
40. SG & A partial private circuits
41. National OA non chargeable
42. Emergency OA (999) non chargeable
43. Wholesale Access specific
44. Routeing & records
45. MDF Hardware jumpering
46. E side copper capital
47. E side copper current
48. D side copper capital
49. D side copper current
50. Local exchanges general frames capital
51. Local exchanges general frames current
52. PSTN line test equipment
53. Dropwire capital & PSTN NTE
54. Residential PSTN drop maintenance
55. ISDN2 drop maintenance
56. PSTN line cards
57. ISDN2 line cards
58. Pair gain
59. ISDN2 NTE
60. Broadband line testing systems
61. DSLAM capital/maintenance
62. ADSL connections

63. ~~Local Loop Unbundling room build~~ Co-mingling new provides
64. ~~Local Loop Unbundling hostel~~ Co-mingling rentals
65. ~~Local Loop Unbundling hostel~~ Co-mingling rentals power & vent
66. ~~Local Loop Unbundling~~ Tie cables
67. Local Loop Unbundling systems development
68. Directories
69. Service Centres - Provision
70. Sales product management
71. Service Centres - Assurance
72. Combi Card voice
73. Combi Card Broadband Access
74. ~~Access Cards (ISDN2 services)~~
75. Core/Metro (voice)
76. ~~Border gateway and signalling firewall~~
77. ~~MSAN POSI Voice Link~~
78. Access Cards (other services)
79. ~~MSAN METRO Connectivity Link~~
80. Core/Metro connectivity
81. Edge Ethernet ports
82. iNode (call set up and features)
83. ATM customer interface 2Mbit/s
84. ATM customer interface 34Mbit/s
85. ATM customer interface > 155Mbit/s
86. ATM network interface
87. ATM network switching
88. Inter ATM transmissions
89. Broadband backhaul circuits (excl Virtual Paths)
90. 21CN Backhaul Link & Length
91. Core/Metro (broadband)
92. Low Tisbo Equipment Depn
93. High Tisbo Equipment Depn
94. Very High Tisbo Equipment Depn
95. Low Tisbo Excess Construction



- 96. AISBO Excess Construction
- 97. SG&A Broadband
- 98. SG&A Interconnect
- 99. Main exchange switching
- 100. ISDN30 connections
- 101. ISDN30 access
- 102. ISDN30 line cards
- 103. Access Cards (ISDN30 services)
- 104. Notional debtors

## Annex 3

# Modifications to Direction 3 and the FA10 Preparation, Audit and Delivery Direction (BT)

## **Direction modifying Directions under section 49 of the Communications Act 2003 and SMP services condition OA2 specifying requirements for the preparation, audit and delivery of regulatory financial statements in respect of wholesale cost accounting, accounting separation and retail cost accounting**

### **BACKGROUND**

(A) As a result of a market analysis carried out by OFCOM in accordance with section 79 of the Act, BT has been designated as having SMP in respect of certain identified markets in accordance with section 79 of the Act.

(B) As a result of such SMP designations, BT has been subject to various SMP services conditions in accordance with sections 45 and 86 to 91 of the Act, including conditions OA1 to OA34 and FA10 imposing obligations on BT in respect of wholesale cost accounting, accounting separation and retail cost accounting in relation to BT's activities in those markets where BT has been designated as having SMP.

(C) The FA10 SMP services conditions have now been revoked in accordance with section 48 of the Act, but BT remains subject to the OA SMP services conditions.

(D) In complying with conditions OA1 to OA34, and in particular condition OA5, BT is required to prepare, secure an audit opinion in respect of, deliver to OFCOM (with the corresponding audit opinion, and publish (with the corresponding audit opinion), the Regulatory Financial Statements as directed by OFCOM from time to time.

(E) Condition OA2 includes, and FA10.2 included, in accordance with section 45(10) of the Act, the ability for OFCOM to make such directions as they consider appropriate from time to time in relation to BT's obligations under conditions OA1 to OA34 and FA10.

(F) OFCOM has made such directions under conditions OA2 and FA10.2 in relation to BT's obligations under conditions OA1 – OA 34 and FA10, although those made under condition FA10.2 now have force as if made under condition OA2 and are to be read accordingly.

(G) This Direction modifies Direction 3 and the FA10 Preparation, Audit and Delivery Direction which relates to BT's obligations under SMP services conditions OA1 to OA34, in that it sets out amendments to the regulatory financial statements which are required to be prepared, audited (including the level of audit), delivered to OFCOM and/or published by BT under condition OA5.

(H) For the reasons set out in the explanatory statement accompanying this modified Direction, OFCOM are satisfied that, in accordance with section 49(2) of the Act, this Direction is:

- i. objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
- ii. not such as to discriminate unduly against particular persons or against a particular description of persons;
- iii. proportionate to what it is intended to achieve; and
- iv. in relation to what it is intended to achieve, transparent.

(I) For the reasons set out in the explanatory statement accompanying this Direction, OFCOM have considered and acted in accordance with the six Community requirements set out in section 4 of the Act, with their duty in section 4A of the Act, and with their duties in section 3 of the Act.

(J) In accordance with section 49C of the Act, a copy of this Direction will be sent to the Secretary of State and the European Commission.

## DECISION

1. Ofcom directs that Direction 3 and the FA10 Preparation, Audit and Delivery Direction shall be modified as set out in the Annex to this Direction.
2. For the purpose of interpreting this Direction, the following definitions shall apply:
  - a) "Act" means the Communications Act 2003 (c. 21);
  - b) "BT" means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
  - c) "Direction 3" means the Direction given under SMP services condition OA2 at Annex 4 of *The Regulatory Financial Reporting obligations on BT and Kingston Communications statement*, dated 22 July 2004, as modified: at Annex 2 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; at Annex 2 of the *Changes to BT's regulatory financial reporting and audit requirements*, dated 16 August 2006; at Annex 4 of *BT's regulatory financial reporting requirements*, dated 30 May 2007; at Annex 4 of *Changes to BT's 2007/08 Regulatory Financial Statement*, dated 26 June 2008; at Annex 4 of *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update*, dated 15 June 2009; at Annex 3 of *Changes to BT and KCOM's regulatory financial reporting – 2009/10 update*, dated 4 June 2010; and at Annex 4 of *Changes to BT and KCOM's regulatory and financial reporting – 2010/11 update*, dated 2 June 2011, which relates to BT's obligations under SMP services conditions OA1 to OA34, in that it sets out requirements for the preparation, audit and delivery of Regulatory Financial Statements in respect of wholesale cost accounting, accounting separation and retail cost accounting;
  - d) "FA10 Preparation, Audit and Delivery Direction" means the Direction given under SMP services condition FA10.2 at Schedule 4 to Annex 2 of *Review of the wholesale local access market statement*, dated 16 December 2004, as modified: at Annex 2 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August

2005; at Annex 2 of the *Changes to BT's regulatory financial reporting and audit requirements*, dated 16 August 2006; at Annex 4 of *BT's regulatory financial reporting requirements*, dated 30 May 2007; at Annex 4 of *Changes to BT's 2007/08 Regulatory Financial Statement*, dated 26 June 2008; at Annex 4 of *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update*, dated 15 June 2009; and at Annex 3 of *Changes to BT and KCOM's regulatory financial reporting – 2009/10 update*, dated 4 June 2010, specifying requirements for the preparation, audit and delivery of Regulatory Financial Statements in respect of wholesale cost accounting, accounting separation and retail cost accounting;

- e) "Notification" means the notification which set in place the obligations on BT referred to in recital (B) of this Direction above;
- f) "OFCOM" means the Office of Communications;

3. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Direction and otherwise any word or expression shall have the same meaning as it has in the Notification and otherwise any word or expression shall have the same meaning as it has in the Act.

4. For the purpose of interpreting this Direction:

- a) headings and titles shall be disregarded; and
- b) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

5. This Direction shall take effect on the day it is published.

6. The Annex to this Direction shall form part of this Direction.

**David Brown**

**Director of Competition Finance, Ofcom**

**A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002**

**3 April 2014**

**Annex**

Direction 3 and the FA10 Preparation, Audit and Delivery Direction are modified as shown below in that the words underlined are inserted and the words struck through are deleted.

		Wholesale-analogue exchange line services	wholesale service A	wholesale service B ...	Wholesale ISDN2 exchange line services	wholesale service A	wholesale service B
	<b>Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.</b>						
Annex 1	Statement by Ofcom	P			P		
Annex 2	Statement of responsibility	P	P	P	P	P	P
Annex 3	<u>Consolidated Performance summary by market</u>	P			P		
Annex 4	Regulatory financial review	P			P		
Annex 5A	Attribution of Wholesale current costs	P	N	N	P	N	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	P	N	N
<del>Annex 7</del>	<del>Financial performance in Access markets</del>	<del>P</del>			<del>P</del>		
<del>Annex 8</del>	<del>Financial performance in other wholesale SMP markets</del>	<del>P</del>			<del>P</del>		
Annex 10	Market Group Financial Review	P			P		
Annex 11	Market summary	P			P		
Annex 12	Market summary						
Annex 13	Market summary (ToD)						
Annex 14	Market Level Financial Review	P			P		
Annex 15	Network Activity Statement	P			P		
Annex 16	Calculation of FAC based on component costs and usage factors	P			P		
Annex 17	BT Network Services Reconciliation	P			P		
Annex 19	BT Reconciliation Statement - P&L	P			P		
Annex 20	BT Reconciliation statement -MCE	P			P		
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P			P		
Annex 24	Price controls in wholesale markets	P			P		
Annex 25	Price controls in wholesale markets	P			P		

BT and KCOM's regulatory financial reporting

	Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.	Traditional interface symmetric broadband origination (up to and including 8Mbit/s);	WS service A	WS service B	Partial and Private Circuits 64kbit/s connection	Partial and Private Circuits 64kbit/s link	Partial and Private Circuits 64kbit/s transmission	Partial and Private Circuits 64kbit/s local end	Partial and Private Circuits 2mbit/s connection	Partial and Private Circuits 2mbit/s link	Partial and Private Circuits 2mbit/s distribution	Partial and Private Circuits 2mbit/s local end	RBS Backhaul sub 2mb rental	RBS Backhaul sub 2mb connection	RBS Backhaul 2mb rental	RBS Backhaul 2mb connection	SDSL	
Annex 1	Statement by Ofcom	P																
Annex 2	Statement of responsibility	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Annex 3	Consolidated Performance summary by market	P																
Annex 4	Regulatory financial review	P																
Annex 5A	Attribution of Wholesale current costs	P	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Annex 7	Financial performance in Access markets	P																
Annex 8	Financial performance in other wholesale SMP markets	P																
Annex 10	Market Group Financial Review	P																
Annex 11	Market summary	P																
Annex 12	Market summary	P																
Annex 13	Market summary (ToD)	P																
Annex 14	Market Level Financial Review	P																
Annex 15	Network Activity Statement	P																
Annex 16	Calculation of FAC based on component costs and usage factors	P																
Annex 17	BT Network Services Reconciliation	P																
Annex 19	BT Reconciliation Statement - P&L	P																
Annex 20	BT Reconciliation statement -MCE	P																
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P																
Annex 24	Price controls in wholesale markets	P																
Annex 25	Price controls in wholesale markets	P																

		Traditional interface symmetric broadband origination in the UK excluding the Hull area and the Central and East London Area (above 8Mbit/s and up to and incl. 45Mbit/s)	wholesale service A	wholesale service B	Partial and Private Circuits 34/45mbit/s -link	Partial and Private Circuits 34/45mbit/s - distribution	Partial and Private Circuits 34/45mbit/s -local end	Traditional interface symmetric broadband origination in the UK excluding the Hull Area and the Central and East London Area (above 45 Mbit/s and up to and incl. 155Mbit/s)	WS service A	WS service B	Partial and Private Circuits 140/155mbit/s link	Partial and Private Circuits 140/155mbit/s distribution	Partial and Private Circuits 140/155mbit/s local end
	<b>Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.</b>												
Annex 1	Statement by Ofcom	P						P					
Annex 2	Statement of responsibility	P	P	P	P	P	P	P	P	P	P	P	P
Annex 3	<b>Consolidated Performance summary by market</b>	P						P					
Annex 4	Regulatory financial review	P						P					
Annex 5A	Attribution of Wholesale current costs	P	N	N	N	N	N	P	N	N	N	N	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	N	N	N	P	N	N	N	N	N
Annex 7	<b>Financial performance in Access markets</b>	P						P					
Annex 8	<b>Financial performance in other wholesale SMP markets –</b>												
Annex 10	Market Group Financial Review	P						P					
Annex 11	Market summary	P						P					
Annex 12	Market summary												
Annex 13	Market summary (ToD)												
Annex 14	Market Level Financial Review	P						P					
Annex 15	Network Activity Statement	P						P					
Annex 16	Calculation of FAC based on component costs and usage factors	P						P					
Annex 17	BT Network Services Reconciliation	P						P					
Annex 19	BT Reconciliation Statement - P&L	P						P					
Annex 20	BT Reconciliation statement -MCE	P						P					
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P						P					
Annex 24	Price controls in wholesale markets	P						P					
Annex 25	Price controls in wholesale markets	P						P					

BT and KCOM's regulatory financial reporting

	Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.	Alternative interface symmetric broadband origination in the UK excluding WECLA and the Hull Area (up to and including 1Gbit)	WS service A	WS service B	WES/LES	BES	Alternative interface symmetric broadband origination in WECLA (up to	WS service A	WS service B	Multiple interface symmetric broadband origination excluding WECLA and the	WS service A	WS service B
Annex 1	Statement by Ofcom	P					P			P		
Annex 2	Statement of responsibility	P	P	P	P	P	P	P	P	P	P	P
Annex 3	Consolidated Performance summary by market	P					P			P		
Annex 4	Regulatory financial review	P					P			P		
Annex 5A	Attribution of Wholesale current costs	P	N	N	N	N	P	N	N	P	N	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	N	N	P	N	N	P	N	N
Annex 7	Financial performance in Access markets	P										
Annex 8	Financial performance in other wholesale SMP markets											
Annex 10	Market Group Financial Review	P					P			P		
Annex 11	Market summary	P					P			P		
Annex 12	Market summary											
Annex 13	Market summary (ToD)											
Annex 14	Market Level Financial Review	P					P			P		
Annex 15	Network Activity Statement	P					P			P		
Annex 16	Calculation of FAC based on component costs and usage factors	P					P			P		
Annex 17	BT Network Services Reconciliation	P					P			P		
Annex 19	BT Reconciliation Statement - P&L	P					P			P		
Annex 20	BT Reconciliation statement -MCE	P					P			P		
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P					P			P		
Annex 24	Price controls in wholesale markets	P					P			P		
Annex 25	Price controls in wholesale markets	P					P			P		
<b>Key:</b>												
	New reporting requirements.											



Note "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes a statement to be produced and provided to Ofcom but need not be published.		Call origination on fixed public narrowband networks	WS Call originating local exchange segment PSTN and ISDN (excluding Operator Assistance)	WS Call originating local exchange segment (incl Operator Assistance)	WS Call originating local exchange segment ISDN (including Operator Assistance)	WS Call originating local exchange segment PSTN and ISDN (incl Operator Assistance)	WS Call origination local exchange Stick	WS Call origination local exchange Stick (ISDN)	WS local exchange Call origination circuit excluding FRIACO port	Single transit on fixed public narrowband networks	WS Single transit segment PSTN and ISDN
Annex 1	Statement by Ofcom	P								P	
Annex 2	Statement of responsibility	P	P	P	P	P	P	P	P	P	P
Annex 3	Consolidated Performance summary by market	P								P	
Annex 4	Regulatory financial review	P								P	
Annex 5A	Attribution of Wholesale current costs	P	N	N	N	N	N	N	N	P	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	N	N	N	N	N	P	N
Annex 7	Financial performance in Access markets										
Annex 8	Financial performance in other wholesale SMP markets	P								P	
Annex 10	Market Group Financial Review	P								P	
Annex 11	Market summary										
Annex 12	Market summary									P	
Annex 13	Market summary (ToD)	P									
Annex 14	Market Level Financial Review	P								P	
Annex 15	Network Activity Statement	P								P	
Annex 16	Calculation of FAC based on component costs and usage factors	P								P	
Annex 17	BT Network Services Reconciliation	P								P	
Annex 19	BT Reconciliation Statement - P&L	P								P	
Annex 20	BT Reconciliation statement -MCE	P								P	
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P								P	
Annex 24	Price controls in wholesale markets	P								P	
Annex 25	Price controls in wholesale markets	P								P	
<b>Key:</b>											
	New reporting requirements.										

BT and KCOM's regulatory financial reporting

Note "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes a statement to be produced and provided to Ofcom but need not be published.		Technical areas	WS standard CSI connection	WS standard CSI rental fixed	WS standard CSI rental per km	WS ISI connection	WS ISI rental per 100m	WS IEC connection	WS IEC rental fixed	WS IEC rental per km	WS intra-building circuits connection	WS intra-building circuits rental	WS rearrangements	WS Connection (£ per 2Mbit/s per year)	WS Rental fixed (£ per 2Mbit/s per year)	WS Rental per km (£ per 2Mbit/s per year)	DA/WS Re-arrangements (£ per occasion)
Annex 1	Statement by Ofcom	P															
Annex 2	Statement of responsibility	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Annex 3	Consolidated Performance summary by market	P															
Annex 4	Regulatory financial review	P															
Annex 5A	Attribution of Wholesale current costs	P	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
Annex 7	Financial performance in Access markets	P															
Annex 8	Financial performance in other wholesale SMP markets	P															
Annex 10	Market Group Financial Review	P															
Annex 11	Market summary	P															
Annex 12	Market summary																
Annex 13	Market summary (ToD)																
Annex 14	Market Level Financial Review	P															
Annex 15	Network Activity Statement	P															
Annex 16	Calculation of FAC based on component costs and usage factors	P															
Annex 17	BT Network Services Reconciliation	P															
Annex 19	BT Reconciliation Statement - P&L	P															
Annex 20	BT Reconciliation statement -MCE	P															
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P															
Annex 24	Price controls in wholesale markets	P															
Annex 25	Price controls in wholesale markets	P															

Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.		Wholesale regional trunk segments (including Kingston upon Hull)	WS service A	WS service B	Partial and Private circuits 2mbit/s trunk	Partial and Private circuits 34/45mbit/s trunk	Partial and Private circuits 140/155mbit/s trunk	Partial and Private circuits 622mbit/s trunk	Fixed geographic call termination	WS Call termination local exchange segment	WS Call termination local exchange segment (ISDN)	WS Call termination local exchange Stick	WS Call termination local exchange Stick (ISDN)
Annex 1	Statement by Ofcom	P							P				
Annex 2	Statement of responsibility	P	P	P	P	P	P	P	P	P	P	P	P
Annex 3	<del>Consolidated Performance summary by market</del>	P							P				
Annex 4	Regulatory financial review	P							P				
Annex 5A	Attribution of Wholesale current costs	P	N	N	N	N	N	N	P	N	N	N	N
Annex 6A	Attribution of Wholesale Current Cost Mean Capital Employed	P	N	N	N	N	N	N	P	N	N	N	N
<del>Annex 7</del>	<del>Financial performance in Access markets</del>												
<del>Annex 8</del>	<del>Financial performance in other wholesale SMP markets</del>	P							P				
Annex 10	Market Group Financial Review	P							P				
Annex 11	Market summary	P							P				
Annex 12	Market summary												
Annex 13	Market summary (ToD)												
Annex 14	Market Level Financial Review	P							P				
Annex 15	Network Activity Statement	P							P				
Annex 16	Calculation of FAC based on component costs and usage factors	P							P				
Annex 17	BT Network Services Reconciliation	P							P				
Annex 19	BT Reconciliation Statement - P&L	P							P				
Annex 20	BT Reconciliation statement - MCE	P							P				
Annex 22	Notes to the Financial Statements	P	P	P	P	P	P	P	P	P	P	P	P
Annex 23	Report of the Regulatory Auditors	P							P				
Annex 24	Price controls in wholesale markets	P							P				
Annex 25	Price controls in wholesale markets	P							P				
<b>Key:</b>													
	New reporting requirements.												

Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.		Traditional interface symmetric broadband origination in the UK excluding the Hull area and the Central and East London Area (above 8Mbit/s and up to and incl. 45Mbit/s)					Traditional interface symmetric broadband origination in the UK excluding the Hull Area and the Central and East London Area (above 45 Mbit/s and up to and incl. 155Mbit/s)				
		WS service A	WS service B	Partial and Private Circuits 34/45mbit/s link	Partial and Private Circuits 34/45mbit/s distribution	Partial and Private Circuits 34/45mbit/s -local end	WS service A	WS service B	Partial and Private Circuits 140/155mbit/s link	Partial and Private Circuits 140/155mbit/s distribution	Partial and Private Circuits 140/155mbit/s local end
Annex 26	<b>Additional Information by way of notes</b>										
AI-1	Cost category analysis for network components, increments and common cost	N	N	N	N	N		N	N		
AI-2	Summarised activity analysis of components	N	N	N	N	N		N	N		
AI-3	Cost category analysis for network components and increments	N	N	N	N	N		N	N		
AI-4	Summarised activity analysis for network components and increments	N	N	N	N	N		N	N		
AI-5	Analysis by asset category and network activities	N	N	N	N	N		N	N		
AI-6	CCA fixed asset movement statement	N	N	N	N	N		N	N		
AI-7	Total mean capital employed and detailed activity analysis	N	N	N	N	N		N	N		
AI-9	Detailed Network activity analysis of mean capital employed	N	N	N	N	N		N	N		
AI-10	Graphs over time of the various raw indices, index weightings & composite indices	N						N			
AI-11	Estimated economic useful lives, valuation and depreciation basis etc	N						N			
AI-13	Total operating costs & mean capital employed costs for each plant group							N			
AI-14	CPS set up costs and their recovery over time on a discounted cash flow basis										
AI-15	Provision of BT 'Data File'	N	N	N	N	N		N	N	N	
AI-20	CCA information to allow Ofcom to re-calculate the RAV for copper assets	N	N	N	N	N		N	N	N	
AI-21	Comprehensive analysis of the transfer charges	N	N	N	N	N		N	N	N	
AI-22	Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue	N						N			
AI-23	Cost data for plant group to service for the PPC services and technical areas	P	P	P	P	P		P	P	P	
AI-24	Wholesale broadband access geographical analysis of costs and assets on a cost accounting and EOI basis										
AI-25	Analysis of revenues, network charges and gross margins for sub 2Mb retail T1 services and input costs from the business connectivity markets to downstream (retail) activities	N	N	N	N	N		N	N	N	
AI-26	Analysis of adjustments required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately	P	P	P	P	P		P	P	P	
AI-27	Analysis of adjustments to costs required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately - ONLY TO BE PRODUCED IF AI-26 IS PREPARED BY ADJUSTING THE REVENUES	N	N	N	N	N		N	N	N	
AI-28	Disclosure of NTS Retail and PRS Bad Debt Service information										
AI-29	Provision of DLRIC and DSAC data per service.	N	N	N	N	N		N	N	N	

Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.		Alternative interface symmetric broadband origination in the UK excluding the Hull Area (up to and including 1Gbit)	WS service A	WS service B	WES/LE/SEAD	BES/EBD	Technical areas	Point of Handover	Wholesale Broadband Access Market 1	wholesale service A	wholesale service B	Wholesale Broadband Access Market 2	wholesale service A	wholesale service B	Wholesale local access market	wholesale service A	wholesale service B etc
Annex 26	<b>Additional Information by way of notes</b>																
AI-1	Cost category analysis for network components, increments and common cost		N	N	N	N		N								N	N
AI-2	Summarised activity analysis of components		N	N	N	N		N								N	N
AI-3	Cost category analysis for network components and increments		N	N	N	N		N								N	N
AI-4	Summarised activity analysis for network components and increments		N	N	N	N		N								N	N
AI-5	Analysis by asset category and network activities		N	N	N	N		N								N	N
AI-6	CCA fixed asset movement statement		N	N	N	N		N								N	N
AI-7	Total mean capital employed and detailed activity analysis		N	N	N	N		N								N	N
AI-9	Detailed Network activity analysis of mean capital employed		N	N	N	N		N								N	N
AI-10	Graphs over time of the various raw indices, index weightings & composite indices	N					N								N		
AI-11	Estimated economic useful lives, valuation and depreciation basis etc	N					N								N		
AI-13	Total operating costs & mean capital employed costs for each plant group	N	N	N	N	N	N	N							N	N	N
AI-14	CPS set up costs and their recovery over time on a discounted cash flow basis																
AI-15	Provision of BT 'Data File'	N	N	N	N	N	N	N	N			N			N	N	N
AI-20	CCA information to allow Ofcom to re-calculate the RAV for copper assets	N	N	N	N	N									N	N	N
AI-21	Comprehensive analysis of the transfer charges	N	N	N	N	N	N	N	N			N			N	N	N
AI-22	Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue						N										
AI-23	Cost data for plant group to service for the PPC services and technical areas						P	P									
AI-24	Wholesale broadband access geographical analysis of costs and assets on a cost accounting and EOI basis								N			N					
AI-25	Analysis of revenues, network charges and gross margins for sub 2Mb retail TI services and input costs from the business connectivity markets to downstream (retail) activities	N	N	N	N	N	N	N									
AI-26	Analysis of adjustments required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately	P	P	P	P	P	P	P							P	P	P
AI-27	Analysis of adjustments to costs required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately - ONLY TO BE PRODUCED IF AI-26 IS PREPARED BY ADJUSTING THE REVENUES	N	N	N	N	N	N	N							N	N	N
AI-28	Disclosure of NTS Retail and PRS Bad Debt Service information																
AI-29	Provision of DLRIC and DSAC data per service.	N	N	N	N	N	N	N									

BT and KCOM's regulatory financial reporting

Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.		Call origination on fixed public narrowband networks	WS Call originating local exchange segment PSTN and ISDN (excluding Operator Assistance)	WS Call originating local exchange segment (incl. Operator Assistance)	WS Call originating local exchange segment ISDN (including Operator Assistance)	WS Call originating local exchange segment PSTN and ISDN (incl. Operator Assistance)	WS Call origination local exchange Stick	WS Call origination local exchange Stick (ISDN)	WS local exchange Call origination circuit excluding FRIACO port	WS FRIACO port at the local exchange	WS BBP for FRIACO	Single transit on fixed public narrowband networks	WS Single transit segment PSTN and ISDN
Annex 26	<b>Additional Information by way of notes</b>												
AI-1	Cost category analysis for network components, increments and common cost		N	N	N	N	N	N	N	N	N		N
AI-2	Summarised activity analysis of components		N	N	N	N	N	N	N	N	N		N
AI-3	Cost category analysis for network components and increments		N	N	N	N	N	N	N	N	N		N
AI-4	Summarised activity analysis for network components and increments		N	N	N	N	N	N	N	N	N		N
AI-5	Analysis by asset category and network activities		N	N	N	N	N	N	N	N	N		N
AI-6	CCA fixed asset movement statement		N	N	N	N	N	N	N	N	N		N
AI-7	Total mean capital employed and detailed activity analysis		N	N	N	N	N	N	N	N	N		N
AI-9	Detailed Network activity analysis of mean capital employed		N	N	N	N	N	N	N	N	N		N
AI-10	Graphs over time of the various raw indices, index weightings & composite indices	N										N	
AI-11	Estimated economic useful lives, valuation and depreciation basis etc	N										N	
AI-13	Total operating costs & mean capital employed costs for each plant group	N	N	N	N	N	N	N	N	N	N	N	N
AI-14	CPS set up costs and their recovery over time on a discounted cash flow basis												
AI-15	Provision of BT 'Data File'	N	N	N	N	N	N	N	N	N	N	N	N
AI-20	CCA information to allow Ofcom to re-calculate the RAV for copper assets												
AI-21	Comprehensive analysis of the transfer charges	N	N	N	N	N	N	N	N	N	N	N	N
AI-22	Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue												
AI-23	Cost data for plant group to service for the PPC services and technical areas												
AI-24	Wholesale broadband access geographical analysis of costs and assets on an cost accounting and EOI basis												
AI-25	Analysis of revenues, network charges and gross margins for sub 2Mb retail TI services and input costs from the business connectivity markets to downstream (retail) activities												
AI-26	Analysis of adjustments required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately												
AI-27	Analysis of adjustments to costs required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately - ONLY TO BE PRODUCED IF AI-26 IS PREPARED BY ADJUSTING THE REVENUES												
AI-28	Disclosure of NTS Retail and PRS Bad Debt Service information	P											
AI-29	Provision of DLRIC and DSAC data per service.	N	N			N	N	N	N	N			
<b>Key:</b>													
	New or amended AF1												
	Reflects the services amalgamated or where the requirement to report was removed in 2013/14.												

		Technical areas														
		WS standard CSI connection	WS standard CSI rental fixed	WS standard CSI rental per km	WS ISI connection	WS ISI rental per 100m	WS IEC connection	WS IEC rental fixed	WS IEC rental per km	WS intra-building circuits connection	WS intra-building circuits rental	WS rearrangements	WS Connection (£ per 2Mbit/s per year)	WS Rental fixed (£ per 2Mbit/s per year)	WS Rental per km (£ per 2Mbit/s per year)	DAAWS Re-arrangements (£ per occasion)
Annex 26	<b>Additional Information by way of notes</b>															
AI-1 Cost category analysis for network components, increments and common cost		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-2 Summarised activity analysis of components		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-3 Cost category analysis for network components and increments		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-4 Summarised activity analysis for network components and increments		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-5 Analysis by asset category and network activities		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-6 CCA fixed asset movement statement		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-7 Total mean capital employed and detailed activity analysis		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-9 Detailed Network activity analysis of mean capital employed		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-10 Graphs over time of the various raw indices, index weightings & composite indices		N														
AI-11 Estimated economic useful lives, valuation and depreciation basis etc		N														
AI-13 Total operating costs & mean capital employed costs for each plant group		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-14 CPS set up costs and their recovery over time on a discounted cash flow basis																
AI-15 Provision of BT 'Data File'		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-20 CCA information to allow Ofcom to re-calculate the RAV for copper assets																
AI-21 Comprehensive analysis of the transfer charges		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-22 Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue																
AI-23 Cost data for plant group to service for the PPC services and technical areas		P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
AI-24 Wholesale broadband access geographical analysis of costs and assets on an cost accounting and EOI basis																
AI-25 Analysis of revenues, network charges and gross margins for sub 2Mb retail T1 services and input costs from the business connectivity markets to downstream (retail) activities		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-26 Analysis of adjustments required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately		P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
AI-27 Analysis of adjustments to costs required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately - ONLY TO BE PRODUCED IF AI-26 IS PREPARED BY ADJUSTING THE REVENUES		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-28 Disclosure of NTS Retail and PRS Bad Debt Service information																
AI-29 Provision of DLRIC and DSAC data per service.		N	N	N	N	N	N	N	N	N	N	N	N	N	N	N

Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.		Traditional interface symmetric broadband origination (up to and including 8Mbit/s);	WS service A	WS service B	Partial and Private Circuits 64kbit/s connection	Partial and Private Circuits 64kbit/s link	Partial and Private Circuits 64kbit/s transmission	Partial and Private Circuits 64kbit/s local end	Partial and Private Circuits 2mbit/s connection	Partial and Private Circuits 2mbit/s link	Partial and Private Circuits 2mbit/s distribution	Partial and Private Circuits 2mbit/s local end	RBS Backhaul sub 2mb rental	RBS Backhaul sub 2mb connection	RBS Backhaul 2mb rental	RBS Backhaul 2mb connection	SDSL
Annex 26	<b>Additional information by way of notes</b>																
AI-1	Cost category analysis for network components, increments and common cost	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-2	Summarised activity analysis of components	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-3	Cost category analysis for network components and increments	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-4	Summarised activity analysis for network components and increments	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-5	Analysis by asset category and network activities	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-6	CCA fixed asset movement statement	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-7	Total mean capital employed and detailed activity analysis	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-9	Detailed Network activity analysis of mean capital employed	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-10	Graphs over time of the various raw indices, index weightings & composite indices	N															
AI-11	Estimated economic useful lives, valuation and depreciation basis etc	N															
AI-13	Total operating costs & mean capital employed costs for each plant group	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-14	CPS set up costs and their recovery over time on a discounted cash flow basis																
AI-15	Provision of BT 'Data File'	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-20	CCA information to allow Ofcom to re-calculate the RAV for copper assets	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-21	Comprehensive analysis of the transfer charges	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-22	Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue	N															
AI-23	Cost data for plant group to service for the PPC services and technical areas	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
AI-24	Wholesale broadband access geographical analysis of costs and assets on a cost accounting and EOI basis																
AI-25	Analysis of revenues, network charges and gross margins for sub 2Mb retail TI services and input costs from the business connectivity markets to downstream (retail) activities	N	N	N	P	P	P	P	N	N	N	N	N	N	N	N	N
AI-26	Analysis of adjustments required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
AI-27	Analysis of adjustments to costs required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately - ONLY TO BE PRODUCED IF AI-26 IS PREPARED BY ADJUSTING THE REVENUES	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N
AI-28	Disclosure of NTS Retail and PRS Bad Debt Service information																
AI-29	Provision of DLRIC and DSAC data per service.	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N	N



<p><b>Note: "P" denotes a statement that must be produced and published as part of the Regulatory Financial Report. "N" denotes statement to be produced and provided to Ofcom but need not be published.</b></p>		Fixed geographic call termination	WS Call termination local exchange segment	WS Call termination local exchange segment ( PSTN and ISDN)	WS Call termination local exchange Stick	WS Call termination local exchange Stick (ISDN)
Annex 26	<b>Additional Information by way of notes</b>					
AI-1	Cost category analysis for network components, increments and common cost		N	N	N	N
AI-2	Summarised activity analysis of components		N	N	N	N
AI-3	Cost category analysis for network components and increments		N	N	N	N
AI-4	Summarised activity analysis for network components and increments		N	N	N	N
AI-5	Analysis by asset category and network activities		N	N	N	N
AI-6	CCA fixed asset movement statement		N	N	N	N
AI-7	Total mean capital employed and detailed activity analysis		N	N	N	N
AI-9	Detailed Network activity analysis of mean capital employed		N	N	N	N
AI-10	Graphs over time of the various raw indices, index weightings & composite indices	N				
AI-11	Estimated economic useful lives, valuation and depreciation basis etc	N				
AI-13	Total operating costs & mean capital employed costs for each plant group	N	N	N	N	N
AI-14	CPS set up costs and their recovery over time on a discounted cash flow basis					
AI-15	Provision of BT 'Data File'	N	N	N	N	N
AI-20	CCA information to allow Ofcom to re-calculate the RAV for copper assets					
AI-21	Comprehensive analysis of the transfer charges	N	N	N	N	N
AI-22	Analysis for the markets covered by the replicability review to explain the differences between ledgered revenue and calculated service revenue					
AI-23	Cost data for plant group to service for the PPC services and technical areas					
AI-24	Wholesale broadband access geographical analysis of costs and assets on an cost accounting and EOI basis					
AI-25	Analysis of revenues, network charges and gross margins for sub 2Mb retail TI services and input costs from the business connectivity markets to downstream (retail) activities					
AI-26	Analysis of adjustments required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately					
AI-27	Analysis of adjustments to costs required to match costs and revenues and the separate identification of ECC and third party equipment and infrastructure costs where the revenues are required to be reported separately - ONLY TO BE PRODUCED IF AI-26 IS PREPARED BY ADJUSTING THE REVENUES					
AI-28	Disclosure of NTS Retail and PRS Bad Debt Service information					
AI-29	Provision of DLRIC and DSAC data per service.	N	N	N	N	N

## Annex 4

# Modifications to Direction 4 and the FA10 Form and Content Direction (BT)

## **Direction modifying Directions under section 49 of the Communications Act 2003 and SMP services condition OA2 specifying requirements for the form and content of Regulatory Financial Statements in respect of wholesale cost accounting, accounting separation and retail cost accounting**

### **BACKGROUND:**

(A) As a result of a market analysis carried out by OFCOM in accordance with section 79 of the Act, BT has been designated as having SMP in respect of certain identified markets in accordance with section 79 of the Act.

(B) As a result of such SMP designations, BT has been subject to various SMP services conditions in accordance with sections 45 and 86 to 91 of the Act, including conditions OA1 to OA34 and FA10 imposing obligations on BT in respect of wholesale cost accounting, accounting separation and retail cost accounting in relation to BT's activities in those markets where BT has been designated as having SMP.

(C) The FA10 SMP services conditions have now been revoked in accordance with section 48 of the Act, but BT remains subject to the OA SMP services conditions.

(D) In complying with conditions OA1 to OA34, and in particular condition OA5, BT is required to prepare such Regulatory Financial Statements as directed by OFCOM from time to time.

(E) Condition OA2 includes, and FA10.2 included, in accordance with section 45(10) of the Act, the ability for OFCOM to make such directions as they consider appropriate from time to time in relation to BT's obligations under conditions OA1 to OA34 and FA10.

(F) OFCOM has made such directions under conditions OA2 and FA10.2 in relation to BT's obligations under conditions OA1 – OA 34 and FA10, although those made under condition FA10.2 now have force as if made under condition OA2 and are to be read accordingly.

(G) This Direction modifies Direction 4 and the FA10 Form and Content Direction which relates to BT's obligations under SMP services conditions OA1 to OA34, in that it sets out the form and content to be applied by BT in preparing certain Regulatory Financial Statements required by virtue of condition OA5, Direction 3 and the FA10 Preparation, Audit and Delivery Direction.

(H) BT is entitled to depart from the form and content set out in this Direction in certain circumstances in accordance with conditions OA7 and OA21.

(I) For the reasons set out in the explanatory statement accompanying this modified Direction, OFCOM are satisfied that, in accordance with section 49(2) of the Act, this Direction is:

- i. objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
- ii. not such as to discriminate unduly against particular persons or against a particular description of persons;
- iii. proportionate to what it is intended to achieve; and
- iv. in relation to what it is intended to achieve, transparent.

(J) For the reasons set out in the explanatory statement accompanying this Direction, OFCOM have considered and acted in accordance with the six Community requirements set out in section 4 of the Act, with their duty in section 4A of the Act, and with their duties in section 3 of the Act.

(K) In accordance with section 49C of the Act, a copy of this Direction will be sent to the Secretary of State and the European Commission.

## DECISION:

1. Ofcom directs that the form and content to be applied by BT in preparing certain Regulatory Financial Statements required by virtue of condition OA5 and Direction 3, and set out in Direction 4, shall be modified as set out in the Annex to this Direction.
2. For the purpose of interpreting this Direction, the following definitions shall apply:
  - a) "Act" means the Communications Act 2003 (c. 21);
  - b) "BT" means British Telecommunications plc, whose registered company number is 1800000, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
  - c) "Direction 3" means the Direction given under SMP services condition OA2 at Annex 4 of *The Regulatory Financial Reporting obligations on BT and Kingston Communications statement*, dated 22 July 2004, as modified: at Annex 2 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; at Annex 2 of the *Changes to BT's regulatory financial reporting and audit requirements*, dated 16 August 2006; at Annex 4 of *BT's regulatory financial reporting requirements*, dated 30 May 2007; at Annex 4 of *Changes to BT's 2007/08 Regulatory Financial Statement*, dated 26 June 2008; at Annex 4 of *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update*, dated 15 June 2009; at Annex 3 of *Changes to BT and KCOM's regulatory financial reporting – 2009/10 update*, dated 4 June 2010; and at Annex 4 of *Changes to BT and KCOM's regulatory and financial reporting – 2010/11 update*, dated 2 June 2011, which sets out requirements for the preparation, audit and delivery of Regulatory Financial Statements in respect of wholesale cost accounting, accounting separation and retail cost accounting;
  - d) "Direction 4" means the Direction 4 given under SMP services condition OA2 at Annex 4 of *The Regulatory Financial Reporting obligations on BT and Kingston Communications statement*, dated 22 July 2004, as modified: at Annex 3 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; at Annex 3 of the *Changes to BT's regulatory financial reporting and audit requirements*, dated 16 August 2006; at Annex 5 of *BT's regulatory financial reporting requirements*, dated 30 May 2007; at Annex 5 of *Changes to BT's 2007/08 Regulatory Financial Statement*, dated 26 June 2008; at Annex 5 of *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update*, dated 15 June 2009; at Annex 4 of *Changes to BT and KCOM's regulatory financial reporting – 2009/10 update*, dated 4 June 2010; at Annex 5 of *Changes to BT and KCOM's regulatory and financial reporting – 2010/11 update*, dated 2 June 2011; at Annex 2 of *Changes to BT and KCOM's regulatory and financial reporting 2011/12 update*, dated 17 April 2012; and at Annex 1 of *Changes to BT and KCOM's regulatory financial reporting 2012/13 update*, dated 25 April 2013, which sets out the form and content to be applied by BT in preparing certain Regulatory Financial Statements required by virtue of condition OA5 and Direction 3;
  - e) "FA10 Form and Content Direction" means the Direction given under SMP services condition FA10.2 at Schedule 5 to Annex 2 of *Review of the wholesale local access market statement*, dated 16 December 2004, as modified: at Annex 3 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; at Annex 3 of the *Changes to BT's regulatory financial reporting and audit requirements*, dated 16 August 2006; at Annex 5 of *BT's regulatory financial reporting requirements*, dated 30 May 2007; at Annex 5 of *Changes to BT's 2007/08 Regulatory Financial Statement*, dated 26 June 2008; at Annex 5 of *Changes to BT and KCOM's regulatory financial*

*reporting – 2008/09 update*, dated 15 June 2009; at Annex 4 of *Changes to BT and KCOM's regulatory financial reporting – 2009/10 update*, dated 4 June 2010; at Annex 5 of *Changes to BT and KCOM's regulatory and financial reporting – 2010/11 update*, dated 2 June 2011; and at Annex 1 of *Changes to BT and KCOM's regulatory financial reporting 2012/13 update*, dated 25 April 2013, which sets out the form and content to be applied by BT in preparing certain Regulatory Financial Statements required by virtue of condition OA5 and the FA10 Preparation, Audit and Delivery Direction;

- f) "FA10 Preparation, Audit and Delivery Direction" means the Direction given under SMP services condition FA10.2 at Schedule 4 to Annex 2 of *Review of the wholesale local access market statement*, dated 16 December 2004, as modified: at Annex 2 of the *Changes to BT's regulatory financial reporting framework*, dated 31 August 2005; at Annex 2 of the *Changes to BT's regulatory financial reporting and audit requirements*, dated 16 August 2006; at Annex 4 of *BT's regulatory financial reporting requirements*, dated 30 May 2007; at Annex 4 of *Changes to BT's 2007/08 Regulatory Financial Statement*, dated 26 June 2008; at Annex 4 of *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update*, dated 15 June 2009; and at Annex 3 of *Changes to BT and KCOM's regulatory financial reporting – 2009/10 update*, dated 4 June 2010, specifying requirements for the preparation, audit and delivery of Regulatory Financial Statements in respect of wholesale cost accounting, accounting separation and retail cost accounting;
- g) "Notification" means the notification which set in place the obligations on BT referred to in recital (B) of this Direction above;
- h) "Ofcom" means the Office of Communications;

3. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Direction and otherwise any word or expression shall have the same meaning as it has in the Notification and otherwise any word or expression shall have the same meaning as it has in the Act.

4. For the purpose of interpreting this Direction:

- a) headings and titles shall be disregarded; and
- b) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

5. This Direction shall take effect on the day it is published.

6. The Annex to this Direction shall form part of this Direction.

**David Brown**

**Director of Competition Finance, Ofcom**

**A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002**

**3 April 2014**

## Annex

The form and content of BT's Regulatory Financial Statements set out in Direction 4 and the FA10 Form and Content Direction for the following statements shall be amended as set out in this Annex:

- the "Performance summary by market" statement (Annex 3), which combines the information previously reported in 'Consolidated summary by market' (Annex 3), 'Financial performance in Access markets' (Annex 7) and 'Financial performance in other wholesale SMP markets' (Annex 8).
- the 'Attribution of Wholesale Current Costs' statement (Annex 5A).
- the "Attribution of Wholesale Current Cost Mean Capital Employed" statement (Annex 6A)
- the "Market summary" statement (Annex 11) for each of the following markets:
  - o TISBO (up to and including 8Mb/s)
  - o TISBO (above 8Mb/s up to and including 45Mb/s)
  - o TISBO (above 45Mb/s up to and including 155Mb/s)
  - o Wholesale regional trunk segments
  - o AISBO non WECLA (up to and including 1Gb/s)
  - o AISBO WECLA (up to and including 1Gb/s)
  - o MISBO non WECLA
  - o Technical areas (Interconnect circuits)
- the "Market summary" statement (Annex 13) for each of the following markets:
  - o Call origination on fixed public narrowband networks
  - o Fixed call termination
- the 'Calculation of FAC based on component costs and usage factors (Annex 16) for each of the following markets:
  - o Call origination on fixed public narrowband networks
  - o Fixed call termination
  - o AISBO WECLA (up to and including 1Gb/s)
  - o MISBO non WECLA
- the 'BT reconciliation statement –MCE' (Annex 20)
- the 'BT network services reconciliation' (Annex 17)
- Openreach income statement
- Openreach MCE statement
- Additional Information AI 25 'Analysis of revenue, network charges and gross margins for sub 2Mb TI services'.

All In that the words underlined are inserted, the words struck through are deleted and the services highlighted shall be amalgamated as indicated in the key

**Performance Summary by Market**

For year ended 31 March 2014

Section	Internal Revenue	External Revenue	Total Revenue	Operating Costs	Depreciation	Holding (gain)/loss	Supp. Dep.	Other Adjs.	Total CCA Operating Costs	Return	Mean Capital Employed	Return on MCE
<b>Fixed Access Markets</b>												
Wholesale analogue exchange line services	7.4	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale local access	7.5	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale ISDN2 exchange line services	7.6	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale business ISDN30 exchange line services	7.7	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
		<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Business Connectivity Markets</b>												
TISBO (up to and including 8Mbit/s)	8.4	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TISBO (above 8Mbit/s up to and including 45Mbit/s)	8.5	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TISBO (above 45Mbit/s up to and including 155Mbit/s)	8.6	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<u>Wholesale regional trunk segments</u>	<u>8.7</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
Technical areas (Point of Handover)	8.8	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<u>AISBO Non WECLA</u>	<u>8.9</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>AISBO WECLA</u>	<u>8.10</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
<u>MISBO non WECLA</u>	<u>8.11</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>
		<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Narrowband Markets</b>												
Call origination on FPN networks	9.4	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Fixed call termination	9.5	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Technical areas (Interconnect Circuits)	9.6	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
		<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Wholesale Broadband Access Markets</b>												
Wholesale Broadband Access - Market 1	10.4	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale Broadband Access - Market 2	10.5	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
		<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Access Markets</b>												
<del>Other Wholesale Markets</del>												
<b>Total SMP Markets</b>												
		xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale residual activities		xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Retail residual activities		xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
		<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
Roundings		xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Markets</b>		<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

**Key:**

The schedule combines previous reporting in annexes 3, 7 and 8.

Newly reported markets

**Attribution of Wholesale Current Costs (Annex 5A)**

For the year ended 31 March 2014	Fixed Access Markets				Business Connectivity Markets				Narrowband Markets			Wholesale Broadband Access Markets		Wholesale Residual	Total Markets			
	Wholesale analogue exchange line services £m	Wholesale local access £m	Wholesale ISDN2 exchange line services £m	Wholesale business ISDN30 exchange line services £m	TISBO (up to and including 8Mbit/s) £m	TISBO (above 8Mbit/s up to and including 45Mbit/s) £m	TISBO (above 45Mbit/s up to and including 155Mbit/s) £m	Wholesale regional trunk segments £m	Technical areas (Point of Handover) £m	AISBO Non WECLA £m	AISBO WECLA £m	MISBO non WECLA £m	Call origination on fixed public narrowband networks £m			Fixed call termination £m	Technical areas (Interconnect Circuits) £m	Wholesale broadband access - Market 1 £m
<b>Operating Costs of Wholesale Services:</b>																		
EOI Charges	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Provision/Maintenance	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Network Support	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
General Support	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
General Management	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Finance and Billing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Accommodation	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Bad Debts	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Other Costs	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Depreciation - Land & Buildings	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Access	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Switch and Transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Other related	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Sub Total Depreciation</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Sub Total HCA Operating Costs</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>CCA Adjustments:</b>																		
Holding Loss/(Gain)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Supplementary Depreciation	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Other Adjustments	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total CCA Operating Costs</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

**Key:**

The schedule now groups markets according to market review rather than 'Access' and 'Other Wholesale'.

Newly reported markets



Attribution of Wholesale Current Cost Mean Capital Employed (Annex 6A)

for the year ended 31 March 2014

	Fixed Access Markets				Business Connectivity Markets							Narrowband Market			Wholesale Broadband Access Markets		Wholesale Residual	Total Markets
	Wholesale analogue exchange line services £m	Wholesale local access £m	Wholesale ISDN2 exchange line services £m	Wholesale business ISDN30 exchange line services £m	TISBO (up to and including 8Mbit/s) £m	TISBO (above 8Mbit/s up to and including 45Mbit/s) £m	TISBO (above 45Mbit/s up to and including 155Mbit/s) £m	Wholesale regional trunk segments £m	Technical areas (Point of Handover) £m	AISBO Non WECLA £m	AISBO WECLA £m	MISBO non WECLA £m	Call origination on fixed public narrowband networks £m	Fixed call termination £m	Technical areas (Interconnect Circuits) £m	Wholesale broadband access - Market 1 £m		
<b>Non-current Assets</b>																		
Land & Buildings	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access - Copper	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access - Fibre	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access - Duct	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Switch	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Other	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Investments	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Non-current Assets</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Current Assets</b>																		
Inventories	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Receivables																		
- Internal	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- External	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Current Assets</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Payables falling due within one year</b>																		
- Internal	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- External	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total payables falling due within one year</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Net Current Assets/(Payables)</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Total Assets less Current Payables</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
Provisions for liabilities & charges	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Mean Capital Employed</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

**Key:**

The schedule now groups markets according to market review rather than 'Access' and 'Other Wholesale'.

Newly reported markets

**Section 7.3.4 - Traditional interface symmetric broadband origination (up to and including 8Mbit/s)**

**Market summary**

Purpose of statement: to provide more detail on financial performance and first order tests of compliance with cost orientation and non-discrimination obligations

Detailed service analysis

	Non-discrimination						FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b)	Average price per price list £	Proportion included in calculation	Average price £			
<b>For the year ended 31 March 2014</b>									
<b>Service</b>									
Internal Partial and Private Circuits 64kbit/s - connections	xx	xx	circuits			xx	xx	xx	xx
External Partial and Private Circuits 64kbit/s - connections	xx	xx	circuits			xx	xx	xx	xx
Partial and Private Circuits 64kbit/s - link									
Main link fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year (ao)				xx	xx	xx			
Total Internal	xx	xx	links			xx	xx	xx	xx
Main link fixed charge per year									
Enhanced maintenance fixed charge per year (ao)				xx	xx	xx			
Total External	xx	xx	links			xx	xx	xx	xx
Partial and Private Circuits 64kbit/s - distribution									
Terminating segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
Total Internal	xx	xx	km			xx	xx	xx	xx
Terminating segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
Total External	xx	xx	km			xx	xx	xx	xx
Partial and Private Circuits 64kbit/s - trunk									
Trunk segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
Total Internal	xx	xx	km			xx	xx	xx	xx
Trunk segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
Total External	xx	xx	km			xx	xx	xx	xx
Partial and Private Circuits 64kbit/s - local end									
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year (ao)				xx	xx	xx			
Total Internal	xx	xx	le			xx	xx	xx	xx
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year (ao)				xx	xx	xx			
Total External	xx	xx	le			xx	xx	xx	xx

**Key:**

Remove DLRIC and DSAC information

Non-discrimination									
Revenue £m	Volume	Unit (b)	Average price per price list £	Proportion included in calculation	Average price £	FAC £	Unaudited (D)LRIC £	Unaudited DSAC £	
<b>For the year ended 31 March 2014</b>									
Internal Partial and Private Circuits 2Mbit/s - connections	xx	xx	circuits	xx	xx	xx	xx	xx	
External Partial and Private Circuits 2Mbit/s - connections	xx	xx	circuits	xx	xx	xx	xx	xx	
Partial and Private Circuits 2Mbit/s - link									
Main link fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
Total internal	xx	xx	links		xx	xx	xx	xx	
Main link fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
Total External	xx	xx	links		xx	xx	xx	xx	
Partial and Private Circuits 2Mbit/s - distribution									
Terminating segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
Total Internal	xx	xx	km		xx	xx	xx	xx	
Terminating segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
Total External	xx	xx	km		xx	xx	xx	xx	
Partial and Private Circuits 2Mbit/s - local end CLZ									
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
Total Internal CLZ	xx	xx	le		xx	xx			
Partial and Private Circuits 2Mbit/s - local end non CLZ									
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
Total Internal non CLZ	xx	xx	le		xx	xx			
Partial and Private Circuits 2Mbit/s - local end CLZ									
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
Total External CLZ	xx	xx	le		xx	xx			
Partial and Private Circuits 2Mbit/s - local end non CLZ									
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
Total External non CLZ	xx	xx	le		xx	xx			
Weighted average local end price for CLZ/non CLZ // Nationally averaged cc						xx	xx	xx	

**Key:**

Remove DLRIC and DSAC information

	Non-discrimination					FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b)	Average price per price list £	Proportion included in calculation			
<b>For the year ended 31 March 2014</b>								
Internal SDSL	xx		xx			xx	xx	xx
External Radio Backhaul Service - sub 2Mbit/s connections	xx		xx	circuits		xx	xx	xx
External Radio Backhaul Service - sub 2Mbit/s rentals	xx		xx			xx	xx	xx
Internal Radio Backhaul Service - 2Mbit/s connections	xx		xx	circuits		xx	xx	xx
External Radio Backhaul Service - 2Mbit/s connections	xx		xx	circuits		xx	xx	xx
Internal Radio Backhaul Service - 2Mbit/s rentals	xx		xx			xx	n/a	
External Radio Backhaul Service - 2Mbit/s rentals	xx		xx			xx	n/a	
External Netstream 16 LL 2Mbit/s connections	xx		xx	circuits		xx	xx	xx
External Netstream 16 LL 2Mbit/s rentals non CLZ	xx		xx			xx	n/a	
External Netstream 16 LL 2Mbit/s rentals CLZ	xx		xx			xx	n/a	
<b>Support Service</b>								
Internal Protected Path Variants and Resilience	xx		xx			xx	Estimated cost of £xm	
External Protected Path Variants and Resilience	xx		xx			xx	Estimated cost of £xm	
Equipment depreciation	xx						Estimated equipment depreciation o	
Internal Third Party Customer Infrastructure	xx		xx			xx	Estimated matched cost of £xm	
External Third Party Customer Infrastructure	xx		xx			xx	Estimated matched cost of £xm	
Internal Excess construction charges	xx		xx			xx	Estimated matched cost of £xm	
External Excess construction charges	xx		xx			xx	Estimated matched cost of £xm	
Roundings	xx							
<b>TOTAL</b>	<b>xx</b>							

**Key:**

Remove DLRIC and DSAC information

**Section 7.3.5 - Traditional interface symmetric broadband origination (above 8Mbit/s up to and including 45Mbit/s)**

**Market summary**

Purpose of statement: to provide more detail on financial performance and first order tests of compliance with ~~cost-orientation~~ and non-discrimination obligations

Detailed service analysis

	Non-discrimination						FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b)	Average price per price list £	Proportion included in calculation	Average price £			
<b>For the year ended 31 March 2014</b>									
<b>Service</b>									
Internal Partial and Private Circuits 34/45Mbit/s - connections	xx		xx circuits			xx	xx	xx	xx
External Partial and Private Circuits 34/45Mbit/s - connections	xx		xx circuits			xx	xx	xx	xx
Partial and Private Circuits 34/45Mbit/s - link									
Main link fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
<i>Total Internal</i>	xx		xx links			xx	xx	xx	xx
Main link fixed charge per year									
Enhanced maintenance fixed charge per year				xx	xx	xx			
<i>Total External</i>	xx		xx links			xx	xx	xx	xx
Partial and Private Circuits 34/45Mbit/s - distribution									
Terminating segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
<i>Total Internal</i>	xx		xx km			xx	xx	xx	xx
Terminating segment charge per year				xx	xx	xx			
Enhanced maintenance per kilometre charge per year				xx	xx	xx			
<i>Total External</i>	xx		xx km			xx	xx	xx	xx
Partial and Private Circuits 34/45Mbit/s - local end									
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
<i>Total Internal</i>	xx		xx le			xx	xx	xx	xx
Local end fixed charge per year				xx	xx	xx			
Enhanced maintenance fixed charge per year				xx	xx	xx			
<i>Total External</i>	xx		xx le			xx	xx	xx	xx
Netstream 16 LL 45Mbit/s rentals	xx		xx			xx	xx	xx	xx
<b>Support Service</b>									
Internal Protected Path Variants and Resilience	xx		xx			xx			Estimated cost of £xm
External Protected Path Variants and Resilience	xx		xx			xx			Estimated cost of £xm
Equipment depreciation	xx								Estimated equipment depreciation
Roundings	-								
<b>TOTAL</b>	<b>xx</b>								

**Key:**

Remove DLRIC and DSAC information

**Section 7.7.1 - Traditional interface symmetric broadband origination (above 45Mbit/s up to and including 155Mbit/s)**

**Market summary**

Purpose of statement: to provide more detail on financial performance and first order tests of compliance with cost orientation and non-discrimination obligations

Detailed service analysis

	Non-discrimination					FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b)	Average price per price list £	Proportion included in calculation			
<b>For the year ended 31 March 2014</b>								
<b>Service</b>								
Internal Partial and Private Circuits 140/155Mbit/s - connections	xx	xx	circuits			xx	xx	xx
External Partial and Private Circuits 140/155Mbit/s - connections	xx	xx	circuits			xx	xx	xx
		xx						
Partial and Private Circuits 140/155Mbit/s - link								
Main link fixed charge per year				xx	xx	xx		
Enhanced maintenance fixed charge per year				xx	xx	xx		
<i>Total Internal</i>	xx	xx	links			xx	xx	xx
Main link fixed charge per year				xx	xx	xx		
Enhanced maintenance fixed charge per year				xx	xx	xx		
<i>Total External</i>	xx	xx	links			xx	xx	xx
Partial and Private Circuits 140/155Mbit/s - distribution								
Terminating segment charge per year				xx	xx	xx		
Enhanced maintenance per kilometre charge per year				xx	xx	xx		
<i>Total Internal</i>	xx	xx	km			xx	xx	xx
Terminating segment charge per year				xx	xx	xx		
Enhanced maintenance per kilometre charge per year				xx	xx	xx		
<i>Total External</i>	xx	xx	km			xx	xx	xx
Partial and Private Circuits 140/155Mbit/s - local end								
Local end fixed charge per year				xx	xx	xx		
Enhanced maintenance fixed charge per year				xx	xx	xx		
<i>Total Internal</i>	xx	xx	le			xx	xx	xx
Local end fixed charge per year				xx	xx	xx		
Enhanced maintenance fixed charge per year				xx	xx	xx		
<i>Total External</i>	xx	xx	le			xx	xx	xx
Netstream 16 LL 155Mbit/s rentals	xx	xx				xx	xx	xx
<b>Support Service</b>								
Internal Protected Path Variants and Resilience	xx	xx				xx		Estimated cost of £xm
External Protected Path Variants and Resilience	xx	xx				xx		Estimated cost of £xm
Equipment Depreciation	xx							Estimated equipment depreciation of £x
Roundings	-							
<b>TOTAL</b>	<b>xx</b>							

**Key:**

Remove DLRIC and DSAC information

**Wholesale regional trunk segments**

**Market summary**

**Purpose of statement: to provide more detail on financial performance and first order tests of compliance with cost orientation and non-discrimination obligations**

**Detailed service analysis**

**For the year ended 31 March 2014**

**Service**

Partial and Private circuits 2Mbit/s - trunk regional

Trunk charge per year

Enhanced maintenance per km charge per year

Total Internal

Trunk charge per year

Enhanced maintenance per km charge per year

Total External

Partial and Private circuits 34/45Mbit/s - trunk regional

Trunk charge per year

Enhanced maintenance per km charge per year

Total Internal

Trunk charge per year

Enhanced maintenance per km charge per year

Total External

Partial and Private circuits 140/155Mbit/s - trunk regional

Trunk charge per year

Enhanced maintenance per km charge per year

Total Internal

Trunk charge per year

Enhanced maintenance per km charge per year

Total External

Internal Partial and Private circuits 622Mbit/s - trunk

**Support Service**

Internal Protected Path Variants and Resilience

External Protected Path Variants and Resilience

Roundings

TOTAL

Non-discrimination				FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
Revenue £m	Volume	Unit (b)	Average price £			
			xx			
			xx			
xx	xx	km	xx	xx	xx	xx
			xx			
			xx			
xx	xx	km	xx	xx	xx	xx
			xx			
			xx			
xx	xx	km	xx	xx	xx	xx
			xx			
			xx			
xx	xx	km	xx	xx	xx	xx
xx	xx	km	xx	xx	xx	xx
xx	xx		xx	Estimated cost of £xm		
xx	xx		xx	Estimated cost of £xm		
xx						
xx						

**Key:**

Remove DLRIC and DSAC information

National trunk segment reporting superseded by regional trunk reporting

## Calculation of FAC based on component costs and usage factors

For the year ended 31 March 2014

			Wholesale regional trunk segments			
		Average cost per unit (from annex 15)	Partial and Private circuits 2Mbit/s - trunk	Partial and Private circuits 34/45Mbit/s - trunk	Partial and Private circuits 140/155Mbit/s - trunk	Partial and Private circuits 622Mbit/s - trunk
Fully Allocated Cost (£)			£	£	£	£
Components	Unit (d)					
PC rental 2Mbit/s link per km regional trunk	£/km	XX	XX			
PC rental 34Mbit/s link per km regional trunk	£/km	XX		XX		
PC rental 140Mbit/s link per km regional trunk	£/km	XX			XX	
PC rental 622Mbit/s link per km regional trunk	£/km	XX				XX
MSAN-METRO Connectivity Link (q)	%	XX				XX
SG & A partial private circuits (q)	%	XX	XX	XX	XX	XX
SG & A private circuits (q)	%	XX	XX	XX	XX	XX
<b>Fully Allocated Costs (£)</b>			XX	XX	XX	XX

### Key:

National trunk segment reporting superseded by regional trunk reporting



**Section 7.9.1 - AISBO non WECLA (up to and including 1Gb/s)**

**Market summary**

**Purpose of statement: to provide more detail on financial performance and first order tests of compliance with cost orientation and non-discrimination obligations**

**Detailed service analysis**

	Non-discrimination			FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b)			
<b>For the year ended 31 March 2014</b>						
<b>Service</b>						
Wholesale extension services 10Mbit/s rentals - Internal	xx	xx	le	xx	xx	xx
Wholesale extension services 10Mbit/s rentals - External	xx	xx	le	xx	xx	xx
		xx				
Wholesale extension services 100Mbit/s rentals - Internal	xx	xx	le	xx	xx	xx
Wholesale extension services 100Mbit/s rentals - External	xx	xx	le	xx	xx	xx
		xx				
Wholesale extension services 1000Mbit/s rentals - Internal	xx	xx	le	xx	xx	xx
Wholesale extension services 1000Mbit/s rentals - External	xx	xx	le	xx	xx	xx
		xx				
Wholesale extension services other bandwidth rentals - Internal	xx	xx	le	xx	xx	xx
<del>Wholesale extension services other bandwidth rentals - External</del>	<del>xx</del>	<del>xx</del>	<del>le</del>	<del>xx</del>	<del>xx</del>	<del>xx</del>
Backhaul extension services 1000Mbit/s rentals - External	xx	xx	le	xx	xx	xx
<del>Backhaul extension services other bandwidth rentals - External</del>	<del>xx</del>	<del>xx</del>	<del>le</del>	<del>xx</del>	<del>xx</del>	<del>xx</del>
Other internal Ethernet rentals	xx	xx	ccts	xx	xx	xx
Other internal Ethernet connections						
<del>Other external Ethernet rentals</del>	<del>xx</del>	<del>xx</del>	<del>ccts</del>	<del>xx</del>	<del>xx</del>	<del>xx</del>
Other external Ethernet connection	xx	xx		xx	xx	xx

**Key:**

Remove DLRIC and DSAC information

Amalgamate 'Wholesale service other bandwidth rentals - External' and 'Backhaul extension services other bandwidth rentals - External' into 'Other external Ethernet rentals.'

	Non-discrimination			FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume Unit (b)	Average price £			
<b>For the year ended 31 March 2014</b>						
EAD Local Access 10Mbit/s rentals - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Local Access 10Mbit/s rentals - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Local Access 100Mbit/s rentals - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Local Access 100Mbit/s rentals - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Local Access 1000Mbit/s rentals - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Local Access 1000Mbit/s rentals - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Other 10Mbit/s rentals - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Other 10Mbit/s rentals - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Other 100Mbit/s rentals - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Other 100Mbit/s rentals - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Other 1000Mbit/s rentals - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Other 1000Mbit/s rentals - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Local Access 10Mbit/s connections - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Local Access 10Mbit/s connections - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Local Access 100Mbit/s connections - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Local Access 100Mbit/s connections - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Local Access 1000Mbit/s connections - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Local Access 1000Mbit/s connections - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Other 10Mbit/s connection - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Other 10Mbit/s connections - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Other 100Mbit/s connections - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Other 100Mbit/s connections - External	xx	xx ccts	xx	xx	xx	xx
		xx				
EAD Other 1000Mbit/s connections - Internal	xx	xx ccts	xx	xx	xx	xx
EAD Other 1000Mbit/s connections - External	xx	xx ccts	xx	xx	xx	xx
		xx				

**Key:**

Remove DLRIC and DSAC information

	Non-discrimination			FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b) Average price £			
<b>For the year ended 31 March 2014</b>						
Ethernet Backhaul Direct rentals - External	xx	xx	ccts	xx	xx	xx
Ethernet Backhaul Direct connections - External	xx	xx	ccts	xx	xx	xx
		xx				
Main link rental charges - Internal	xx	xx	fibre km	xx	xx	xx
Main link rental charges - External	xx	xx	fibre km	xx	xx	xx
		xx				
<b>Support Service</b>						
Equipment depreciation	xx					Estimated equipment depreciation of £xm
Excess construction charges - Internal	xx	xx		xx		Estimated matched cost of £xm
Excess construction charges - External	xx	xx		xx		Estimated matched cost of £xm
Roundings	xx					
TOTAL	xx					

**Key:**

Remove DLRIC and DSAC information

**AISBO WECLA (up to and including 1Gbit/s)**

Market summary

Purpose of statement: to provide more detail on financial performance and first order tests of compliance with non-discrimination obligations

Detailed service analysis

	<u>Non-discrimination</u>			<u>FAC</u>
	<u>Revenue</u> <u>£m</u>	<u>Volume</u> <u>Unit (b)</u>	<u>Average</u> <u>price</u> <u>£</u>	
<b>For the year ended 31 March 2014</b>				
<b>Service</b>				
<u>Wholesale extension services 10Mbit/s rentals - Internal</u>	<u>xx</u>	<u>xx le</u>	<u>xx</u>	<u>xx</u>
<u>Wholesale extension services 10Mbit/s rentals - External</u>	<u>xx</u>	<u>xx le</u>	<u>xx</u>	<u>xx</u>
		<u>xx</u>		
<u>Wholesale extension services 100Mbit/s rentals - Internal</u>	<u>xx</u>	<u>xx le</u>	<u>xx</u>	<u>xx</u>
<u>Wholesale extension services 100Mbit/s rentals - External</u>	<u>xx</u>	<u>xx le</u>	<u>xx</u>	<u>xx</u>
		<u>xx</u>		
<u>Wholesale extension services 1000Mbit/s rentals - Internal</u>	<u>xx</u>	<u>xx le</u>	<u>xx</u>	<u>xx</u>
<u>Wholesale extension services 1000Mbit/s rentals - External</u>	<u>xx</u>	<u>xx le</u>	<u>xx</u>	<u>xx</u>
		<u>xx</u>		
<u>Other internal Ethernet rentals</u>	<u>xx</u>	<u>xx ccts</u>	<u>xx</u>	<u>xx</u>
<u>Other internal Ethernet connections</u>				
<u>Other external Ethernet rentals</u>	<u>xx</u>	<u>xx ccts</u>	<u>xx</u>	<u>xx</u>
<u>Other external Ethernet connection</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>	<u>xx</u>

	<b>Non-discrimination</b>			<b>Average</b>	<b>FAC</b>
	<b>Revenue</b>	<b>Volume</b>	<b>Unit (b)</b>	<b>price</b>	<b>£</b>
	<b>£m</b>			<b>£</b>	
<b>For the year ended 31 March 2014</b>					
<u>EAD Local Access 10Mbit/s rentals - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Local Access 10Mbit/s rentals - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Local Access 100Mbit/s rentals - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Local Access 100Mbit/s rentals - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Local Access 1000Mbit/s rentals - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Local Access 1000Mbit/s rentals - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Other 10Mbit/s rentals - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Other 10Mbit/s rentals - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Other 100Mbit/s rentals - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Other 100Mbit/s rentals - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Other 1000Mbit/s rentals - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Other 1000Mbit/s rentals - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Local Access connections - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Local Access connections - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>EAD Local Access connections - Internal</u>	xx	xx	ccts	xx	xx
<u>EAD Local Access connections - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>Ethernet Backhaul Direct rentals - External</u>	xx	xx	ccts	xx	xx
<u>Ethernet Backhaul Direct connections - External</u>	xx	xx	ccts	xx	xx
		xx			
<u>Main link rental charges - Internal</u>	xx	xx	fibre km	xx	xx
<u>Main link rental charges - External</u>	xx	xx	fibre km	xx	xx
		xx			
<u>Roundings</u>	xx				
<u>TOTAL</u>	xx				

**Key:**

New reporting for AISBO WECLA market.

Calculation of FAC based on component costs and usage factors 2014  
For the year ended 31 March 2014

Fully Allocated Cost (£)		Average cost per unit (from annex 15)	Alternative interface symmetric broadband origination (up to and including 1Gbit/s)													
			Wholesale extension services 10Mbit/s rentals	Wholesale extension services 100Mbit/s rentals	Wholesale extension services 1000Mbit/s rentals	Backhaul extension services 1000Mbit/s rentals - External	Backhaul extension services other bandwidth rental - External	Other internal Ethernet rental	EAD LA 10 Internal Rentals	EAD LA 100 External Rentals	EAD LA 1000 Internal Rentals	EAD LA 1000 External Rentals	Ethernet Access Direct 10Mbit/s rentals - Internal	Ethernet Access Direct 10Mbit/s rentals - External	Ethernet Access Direct 100Mbit/s rentals - Internal	Ethernet Access Direct 100Mbit/s rentals - External
Components	Unit (d)		£	£	£	£	£	£	£	£	£	£	£	£	£	£
Wholesale & LAN extension services fibre etc	£/le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Backhaul extension services fibre etc	£/le	xx														
Ethernet Electronics	£/le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Ethernet main links	£/le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
21CN Backhaul Link & Length	£/le	xx														
Access Cards (other services) (q)	%	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Service Centres - Assurance (q)	%	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Sales product management (q)	%	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Service Centres - Provision (q)	£/le	xx														
<b>Fully Allocated Costs (£)</b>			xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

For the year ended 31 March 2014

		Alternative interface symmetric broadband origination (up to and including 1Gbit/s)															
		Ethernet Access Direct 1000Mbit/s rentals - Internal	Ethernet Access Direct 1000Mbit/s rentals - External	EAD LA 10 Internal Connections	EAD LA 10 External Connections	EAD LA 100 Internal Connections	EAD LA 100 External Connections	EAD LA 1000 Internal Connections	EAD LA 1000 External Connections	Ethernet Access Direct 100Mbit/s connections - Internal	Ethernet Access Direct 100Mbit/s connections - External	Ethernet Access Direct 1000Mbit/s connections - Internal	Ethernet Access Direct 1000Mbit/s connections - External	Ethernet Backhaul Direct rentals - External	Ethernet Backhaul Direct connections - External	Main link rental charges	
Fully Allocated Cost (£)		£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Components	Unit (d)	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Wholesale & LAN extension services fibre etc.	£/le	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	
Backhaul extension services fibre etc.	£/le																
Ethernet Electronics	£/le	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX				
Ethernet main links	£/fibre km															XX	
21CN Backhaul Link & Length	£/circuit																
Access Cards (other services) (g)	%	XX	XX														
Service Centres - Assurance (g)	%	XX	XX														
Sales product management (g)	%	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	
Service Centres - Provision (g)	%			XX	XX	XX	XX	XX	XX	XX	XX	XX	XX				
<b>Fully Allocated Costs (£)</b>		XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	XX	

**MISBO-Non WECLA**

Detailed service analysis

For the year ended 31 March 2014

Service

Wholesale extension services / Backhaul extension services connections - Internal  
Wholesale extension services / Backhaul extension services connections - External

EBD connections - External  
EBD rentals - External

WES/BES rentals - Internal  
WES/BES rentals - External

WES/BES Main link - Internal  
WES/BES Main link - External

Optical Services connections - Internal  
Optical Services connections - External

Optical Services rentals - Internal  
Optical Services rentals - External

Optical Services Main link - Internal  
Optical Services Main link - External

Roundings

TOTAL

Internal EBD rentals  
Internal EBD connections

**Key:**

New reporting for MISBO non WECLA market.

Non-discrimination				
Revenue	Volume	Unit (b)	Average price	FAC
£m			£	£
xx	xx	le	xx	xx
xx	xx	le	xx	xx
xx	xx	ccts	xx	xx
xx	xx	ccts	xx	xx
xx	xx	le	xx	xx
xx	xx	le	xx	xx
xx	xx	fibre km	xx	xx
xx	xx	fibre km	xx	xx
xx	xx	ccts	xx	xx
xx	xx	ccts	xx	xx
xx	xx	ccts	xx	xx
xx	xx	ccts	xx	xx
xx	xx	fibre km	xx	xx
xx	xx	fibre km	xx	xx
xx				
xx				
		xx	ccts	
		xx	ccts	



**Calculation of FAC based on component costs and usage factors 2014**  
**For the year ended 31 March 2014**

		<b>MISBO</b>							
		<b>Average cost per unit (from annex 15)</b>	Single Service Ethernet connection - Internal	Single Service Ethernet connection - External	Single Service Ethernet rentals - Internal	Single Service Ethernet rentals - External	Single Service Ethernet Main link - Internal	Single Service Ethernet Main link - External	
<b>Fully Allocated Cost (£)</b>			£	£	£	£	£	£	
<b>Components</b>	<b>Unit (d)</b>		£	£	£	£	£	£	
Wholesale & LAN extension services fibre etc	£/le	XX	XX	XX	XX	XX	XX	XX	
Backhaul extension services fibre etc	£/le	XX	XX	XX	XX	XX	XX	XX	
Ethernet Electronics	£/le	XX	XX	XX	XX	XX	XX	XX	
Ethernet main links	£/le	XX	XX	XX	XX	XX	XX	XX	
21CN Backhaul Link & Length	£/le	XX	XX	XX	XX	XX	XX	XX	
Access Cards (other services) (q)	%	XX	XX	XX	XX	XX	XX	XX	
Service Centres - Assurance (q)	%	XX	XX	XX	XX	XX	XX	XX	
Sales product management (q)	%	XX	XX	XX	XX	XX	XX	XX	
Service Centres - Provision (q)	£/le	XX	XX	XX	XX	XX	XX	XX	
<b>Fully Allocated Costs (£)</b>			XX	XX	XX	XX	XX	XX	

**Key:**

New reporting for MISBO market

**Section 8.3.1 - Call origination on fixed public narrowband networks**

**Market summary**

Purpose of statement: to provide more detail on financial performance and first order tests of compliance with cost orientation and non-discrimination obligations

Detailed service analysis

For the year ended 31 March 2014

Service

Internal Wholesale call originating local exchange segment PSTN and ISDN (excl OA)  
 External Wholesale call originating local exchange segment PSTN and ISDN (excl OA)

~~Internal Wholesale call originating local exchange segment (incl Operator Assistance)~~  
 External Wholesale call originating local exchange segment (incl Operator Assistance)

~~Internal Wholesale call originating local exchange segment (ISDN) (incl OA)~~  
 Internal Wholesale call originating local exchange segment PSTN and ISDN (incl OA)

Internal Wholesale call origination local exchange Stick (ISDN)

~~Internal Wholesale PPP~~  
~~External Wholesale PPP~~

Roundings

TOTAL

**Key:**

- Consolidate Internal Wholesale originating local exchange segment reporting into Internal Wholesale call originating local exchange segment PSTN and ISDN (incl OA)
- Remove DLRIC and DSAC information
- Remove FAC information
- Remove PPP services reporting

Revenue £m	NCC traffic - millions of minutes (mm)				Average NCC rates - pence per minute (ppm)			
	Day	Evening	Weekend	24 hours	Day ppm	Evening ppm	Weekend ppm	Weighted
								Average
								ppm
xx	xx	xx	xx	xx	xx	xx	xx	xx
xx	xx	xx	xx	xx	xx	xx	xx	xx
xx	xx	xx	xx	xx	xx	xx	xx	xx
xx	xx	xx	xx	xx	xx	xx	xx	xx
xx	xx	xx	xx	xx	xx	xx	xx	xx
xx	xx	xx	xx	xx	xx	xx	xx	xx
-								
xx								

EAC	Unaudited (D)LRIC	Unaudited DSAC
ppm	ppm	ppm
xx	xx	xx
xx	xx	xx
xx	xx	xx
xx	xx	xx
xx	xx	xx
xx	xx	xx
xx	xx	xx

**Calculation of FAC based on component costs and usage factors 2014**  
**For the year ended 31 March 2014**

		Average cost per unit (from annex 15)	Call origination on fixed public narrowband				
			Call Origination Basket (ad)			Retail Sticks	PPP Basket
			Internal and External Wholesale call originating local-exchange segment PSTN and ISDN (excl-OA)	Internal and External Wholesale call originating local-exchange segment (incl-Operator Assistance)	Internal Wholesale call originating local-exchange segment (ISDN) (incl-OA)	Internal Wholesale call originating local-exchange Stick (ISDN)	Internal and External Wholesale PPP
Fully Allocated Cost (£)			ppm	ppm	ppm	ppm	ppm
<b>Components</b>	<b>Unit (d)</b>		ppm	ppm	ppm	ppm	ppm
Local exchange concentrator	ppm	xx	xx	xx	xx	xx	
Local exchange processor	ppm	xx	xx	xx	xx	xx	
Remote - local transmission link	ppm	xx	xx	xx	xx	xx	
Remote - local transmission length	ppm (per 10km)	xx	xx	xx	xx	xx	
Product management policy & planning	ppm	xx					xx
National OA non-chargeable	ppm	xx					
Emergency OA (999) non-chargeable	ppm	xx	xx	xx	xx		
Core/Metro (voice)	ppm	xx	xx	xx	xx	xx	
Border gateway & signalling firewall	ppm	xx					
MSAN-POSI Voice Link	ppm	xx					
iNode (call set up and features) (q)	%	xx	xx	xx	xx	xx	
Edge Ethernet ports (q)	%	xx					
<b>Fully Allocated Costs (ppm)</b>			xx	xx	xx	xx	xx

**Key:**

Remove FAC information

**Section 8.6.1 - Fixed call termination**

**Market summary**

Purpose of statement: to provide more detail on financial performance and first order tests of compliance with cost orientation and non-discrimination obligations

Detailed service analysis

	Non-discrimination									
	Revenue £m	NCC traffic - millions of minutes (mm)				Average NCC rates - pence per minute (ppm)				Weighted Average ppm
		Day	Evening	Weekend	24 hours	Day ppm	Evening ppm	Weekend ppm		
<b>For the year ended 31 March 2014</b>										
<b>Service</b>										
Internal Wholesale call termination local exchange segment										
External Wholesale call termination local exchange segment	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Internal Wholesale call termination local exchange segment (ISDN)										
Internal Wholesale call termination local exchange segment (PSTN and ISDN)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Internal Wholesale call termination local exchange stick (PSTN & ISDN)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	xx									
TOTAL	xx									

	Unaudited FAC-d (DLRIC) ppm	Unaudited d-DSAC ppm	
	xx	xx	xx
	xx	xx	xx
	xx	xx	xx
	xx	xx	xx

**Key:**

- Consolidate Internal Wholesale termination local exchange segment reporting into 'Internal Wholesale call termination local exchange segment PSTN and ISDN'
- Remove DLRIC and DSAC information
- Remove FAC information

**Calculation of FAC based on component costs and usage factors 2014**  
**For the year ended 31 March 2014**

		Average cost per unit (from annex 15)	Fixed call termination		
			Call Termination basket		Retail Sticks
			Wholesale call termination local exchange segment	Internal Wholesale call termination local exchange segment (£SDN)	Internal Wholesale call termination local exchange stick (£SDN)
Fully Allocated Cost (£)					
Components	Unit (d)		ppm	ppm	ppm
Local exchange concentrator	ppm	xx	xx	xx	xx
Local exchange processor	ppm	xx	xx	xx	
Remote - local transmission link	ppm	xx	xx	xx	xx
Remote - local transmission length	ppm (per 10km)	xx	xx	xx	xx
Product management policy & planning	ppm	xx			
National OA non chargeable	ppm	xx			
Emergency OA (999) non chargeable	ppm	xx			
Core/Metro (voice)	ppm	xx	xx	xx	xx
Border gateway & signalling firewall	ppm	xx			
MSAN-POS Voice Link	ppm	xx			
iNode (call set up and features) (q)	%	xx	xx	xx	xx
Edge Ethernet ports (q)	%	xx			
<b>Fully Allocated Costs (ppm)</b>			xx	xx	xx

**Key:**

Remove FAC information

## Section 8.6.1 - Technical areas (Interconnect Circuits)

**Purpose of statement:** to provide more detail on financial performance and first order tests of compliance with ~~cost orientation and non-discrimination obligations~~

Detailed service analysis

	Non-discrimination			FAC £	Unaudited (D)LRIC £	Unaudited DSAC £
	Revenue £m	Volume	Unit (b) Average price £			
<b>For the year ended 31 March 2014</b>						
<b>Service</b>						
<b>Customer Sited Interconnect (end to end circuit)</b>						
External Wholesale standard CSI connections (v)	xx	xx circuits	xx	xx	xx	xx
External Wholesale standard CSI rentals - fixed (v)	xx	xx circuits	xx	xx	xx	xx
External Wholesale standard CSI rentals - per km (v)	xx	xx km	xx	xx	xx	xx
<b>In Span Interconnect with Interconnect Extension Circuit (end to end circuit)</b>						
External Wholesale IEC connections	xx	xx circuits	xx	xx	xx	xx
External Wholesale IEC rentals - fixed	xx	xx circuits	xx	xx	xx	xx
External Wholesale IEC rentals - per km	xx	xx km	xx	xx	xx	xx
<b>In Span Interconnect</b>						
External Wholesale intra-building circuits connections	xx	xx circuits	xx	xx	xx	xx
External Wholesale intra-building circuits rentals	xx	xx circuits	xx	xx	xx	xx
External Wholesale ISI rentals	xx	xx 100m	xx	xx	xx	xx
External Nominated ISI - per km	xx	xx 100m	xx	xx	xx	xx
External Wholesale rearrangements	xx	xx circuits	xx	xx	xx	xx
Internal Wholesale standard CSI rentals - fixed	xx	xx circuits	xx	xx	xx	xx
Internal Wholesale standard CSI rentals - per km	xx	xx km	xx	xx	xx	xx
Internal Wholesale intra-building circuits rentals	xx	xx circuits	xx	xx	xx	xx
Roundings	xx					
TOTAL	<u>xx</u>					

### Key:

Remove DLRIC and DSAC information

## BT Reconciliation Statement MCE

For the year ended 31 March 2014

	2014	2013
	£m	£m
<b>Shareholders' funds as in the 2014 Annual Report</b>	xx	(262)
CCA adjustments	xx	2,501
	xx	2,239
<b>Adjustments</b>		
Goodwill	xx	(1,410)
Derivative financial instruments - assets	xx	(1,207)
Deferred tax liabilities	xx	1,209
Deferred tax assets	xx	(1,438)
Current tax assets	xx	(16)
Current tax liabilities	xx	100
Long term loans and other borrowings:	xx	
Due in less than one year	xx	576
Due in more than one year	xx	8,277
Derivative financial instruments - liabilities	xx	864
Other payables	xx	883
Retirement benefit obligations	xx	5,856
<b>Closing CCA capital employed at 31 March</b>	xx	15,933
<b>Opening CCA capital employed at 1 April</b>	xx	15,385
<b>Total CCA mean capital employed</b>	xx	15,659

### Key:

Markets grouped by market review rather than 'Access' and 'Other Wholesale'.

Mean capital employed of BT Markets	2014	2013
	£m	£m
<b>Access markets</b>	xx	xx
<b>Other Wholesale markets</b>	xx	xx
<b>Sub total BT Markets</b>	xx	xx
<b>Fixed Access Markets</b>	xx	xx
<b>Business Connectivity Markets</b>	xx	xx
<b>Narrowband Markets</b>	xx	xx
<b>Wholesale Broadband Access Markets</b>	xx	xx
Total SMP Markets	xx	xx
<b>Residual activities</b>		
Wholesale residual activity	xx	xx
Retail residual activity	xx	xx
Sub total residual activities	xx	xx
<b>Roundings and other adjustments</b>		
Wholesale markets	xx	xx
Retail markets & activities	xx	xx
Sub total roundings and other adjustments	xx	xx
<b>Total CCA mean capital employed</b>	xx	xx

## Openreach income statement

For the year ended 31 March 2014

Full service provision

Openreach Services (by regulated market)	Wholesale analogue exchange line services £m	Wholesale local access £m	Wholesale ISDN2 exchange line services £m	Wholesale business ISDN30 exchange line services £m	Sub Total full SMP services (excluding AISBO and MISBO) £m	AISBO Non WECLA £m	AISBO WECLA £m	MISBO Non WECLA £m	Sub Total full SMP services (including AISBO and MISBO) £m	Other Openreach Markets & Activities (with no SMP reporting obligations) £m	Total: Openreach Services - by regulated market £m
<b>Revenue</b>											
Internal Revenue											
-service(s) which are also available externally:											
- Internal LLU equivalent	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Other	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
-service(s) provided internally only:											
- e-PPCs	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Other	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
External Revenue	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Revenue</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Operating Costs</b>											
Provision/Maintenance	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Network Support	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
General Support	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
General Management	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Finance and Billing	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Accommodation	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Bad Debts	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Other Costs	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Depreciation											
- Land & Building	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Access	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Switch and Transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Other related	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Sub total Depreciation</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Sub total HCA operating costs</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx



<b>CCA adjustments</b>												
Holding loss/(gain)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Supplementary depreciation	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Other adjustments	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total CCA Operating Costs</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Return</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Return on mean capital employed</b>	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

**Key:**

Newly reported markets

## Openreach MCE statement

For the year ended 31 March 2014

Openreach Services (by regulated market)	Wholesale analogue exchange line services £m	Wholesale local access £m	Wholesale ISDN2 exchange line services £m	Wholesale business ISDN30 exchange line services £m	Sub Total full SMP services (excluding AISBO and MISBO) £m	AISBO Non WECLA £m	AISBO WECLA £m	MISBO Non WECLA £m	Sub Total full SMP services (including AISBO and MISBO) £m	Other Openreach Markets & Activities (with no SMP reporting obligations) £m	Total: Openreach Services - by regulated market £m
<b>Non-current Assets</b>											
Tangible fixed assets:											
Land & Buildings	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access - Copper	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access - Fibre	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access - Duct	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Switch and Transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Switch	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- Transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Other	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Investments	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Non-current assets</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Current Assets</b>											
Inventories	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Receivables											
- Internal	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- External	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Current Assets</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Payables falling due within one year</b>											
- Internal	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
- External	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
<b>Total Payables falling due within one year</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Net Current Assets/(Payables)</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
<b>Total Assets less Current Payables</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>
Provisions for liabilities and charges	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	-	-	-	-	-	-	-	-	-	-	-
<b>Mean capital employed</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>	<b>xx</b>

### Key:

Newly reported markets

Annex 17 (continued)

Consolidation Statement (a summary of all wholesale markets where there are cost accounting obligations)

Fully Allocated Cost (£m)	Total (from annex 15)	Wholesale analogue exchange line services	Wholesale local access	Wholesale ISDN2 exchange line services	Traditional interface symmetric broadband origination (up to and including 8Mbit/s)	Traditional interface symmetric broadband origination (above 8Mbit/s up to and including 45Mbit/s)	Traditional interface symmetric broadband origination (above 45Mbit/s up to and including 155Mbit/s)	Wholesale regional trunk segments	Technical Areas (Point of Handover)	ASBO Non WECLA	ASBO WECLA	MiSBO Non WECLA	Call origination on fixed public narrowband networks	Fixed call termination	Technical areas (Interconnect Circuits)	Wholesale broadband access market 1 - BT only operator	Wholesale broadband access market 2 - 2 to 3 principal operators	AS SMP Components	Residual	Non cost accounting, roundings and residual	
Components																					
Ethernet main links	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
SG & A partial private circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
National OA non chargeable	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Emergency OA (999) non chargeable	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale Access specific	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Routing & records	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
MDF Hardware jumpering	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
E side copper capital	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
E side copper current	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
D side copper capital	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
D side copper current	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local exchanges general frames capital	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local exchanges general frames current	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PSTN line test equipment	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Dropwire capital & PSTN NTE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Residential PSTN drop maintenance	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ISDN2 drop maintenance	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PSTN line cards	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ISDN2 line cards	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Pair gain	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ISDN2 NTE	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Broadband line testing systems	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
DSLAM capital/maintenance	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ADSL connections	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local Loop Unbundling room build	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local Loop Unbundling hostel rentals	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local Loop Unbundling hostel rentals power & vent	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local Loop Unbundling tie cables	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local Loop Unbundling systems development	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Directories	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Service Centres - Provision	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Sales product management	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Service Centres - Assurance	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Combi Card voice	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Combi Card Broadband Access	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access Cards (ISDN2 services)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Core/Metro (voice)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Border gateway & signalling firewall	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

**BT Network Services Reconciliation**

Consolidation Statement (a summary of all wholesale markets where there are cost accounting obligations)

Fully Allocated Cost (€m)	Total (from annex 15)	Wholesale analogue exchange line services	Wholesale local access	Wholesale (SDN2 exchange line services	Traditional interface symmetric broadband origination (up to and including 8Mbit/s)	Traditional interface symmetric broadband origination (above 8Mbit/s up to and including 45Mbit/s)	Traditional interface symmetric broadband origination (above 45Mbit/s up to and including 155Mbit/s)	Wholesale regional trunk segments	Technical Areas (Point of Handover)	AISBO Non WECLA	AISBO WECLA	MiSBO	Call origination on fixed public narrowband networks	Fixed call termination	Technical areas (Interconnect Circuits)	Wholesale broadband access market 1 - BT only operator	Wholesale broadband access market 2 - 2 to 3 principal operators	AS SMP Components	Residual	Non cost accounting, roundings and residual
Components																				
Local exchange concentrator	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Local exchange processor	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Remote - local transmission link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Remote - local transmission length	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Product management policy & planning	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Interconnect local end rental 2Mbit/s	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Interconnect 2Mbit/s connection	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Interconnect extension circuits (IEC) 2Mbit/s link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Customer Sited Interconnect cct (CSI) 2Mbit/s link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Interconnect extension circuits (IEC) 2Mbit per km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Customer Sited Interconnect cct (CSI) 2Mbit per km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
In Span Interconnect circuits (IS) transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Nominated In Span I/Connect cct (ISI) transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Intra Building Circuit (IBC) connection	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Intra Building Circuit (IBC) rental	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit/s link per km distribution	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit/s link per km trunk	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 34Mbit/s link per km distribution	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 34Mbit/s link per km trunk	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 140Mbit/s link per km distribution	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 140Mbit/s link per km trunk	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 622Mbit/s link per km trunk	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Point of Handover electronics	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 64kbit/s link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit/s link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 34Mbit/s link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 140Mbit/s link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 64kbit/s link per km transmission	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
64kbit/s PC link connection cct provision	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
2Mbit/s and above PC link connection cct provision	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 64kbit/s link local end	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 34Mbit/s link local end	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 140Mbit/s link local end	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit/s local end copper	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit/s local end fibre	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Wholesale & LAN extension services fibre etc	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Backhaul extension services fibre etc	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Ethernet Electronics	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

Annex 17 (continued)

Consolidation Statement (a summary of all wholesale markets where there are cost accounting obligations)

Fully Allocated Cost (£m)	Total (from annex 15)	Wholesale analogue exchange line services	Wholesale local access	Wholesale ISDN2 exchange line services	Traditional interface symmetric broadband origination (up to and including 8Mbit/s)	Traditional interface symmetric broadband origination (above 8Mbit/s up to and including 45Mbit/s)	Traditional interface symmetric broadband origination (above 45Mbit/s up to and including 155Mbit/s)	Wholesale regional trunk segments	Technical Areas (Point of Handover)	AISBO Non WECLA	AISBO WECLA	MISBO Non WECLA	Call origination on fixed public narrowband networks	Fixed call termination	Technical areas (Interconnect Circuits)	Wholesale broadband access market 1 - BT only operator	Wholesale broadband access market 2 - 2 to 3 principal operators	AS SMP Components	Residual	Non cost accounting, roundings and residual
Components																				
MSAN-POSI Voice Link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Access Cards (other services)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
MSAN-METRO Connectivity Link	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Core/Metro connectivity	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Edge Ethernet ports	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
iNode (call set up and features)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ATM customer interface 2Mbit/s	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ATM customer interface 34Mbit/s	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ATM customer interface > 155Mbit/s	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ATM network interface	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
ATM network switching	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Inter ATM transmissions	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Broadband backhaul circuits (excl Virtual Paths)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
21CN Backhaul Link & Length	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Core/Metro (broadband)	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Low Tisbo Equipment Depn	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
High Tisbo Equipment Depn	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Very High Tisbo Equipment Depn	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Low Tisbo Excess Construction	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
AISBO Excess Construction	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
SG&A Broadband	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
SG&A Interconnect	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
SMP Accounting Separation components	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Residual components	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
Roundings	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
TOTAL	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx

Key:

Newly reported markets

**AFI 25**

**Business Connectivity Services - Analysis of revenues, network charges and gross margin for sub 2Mb retail TI services**

for the year ended 31 March 2013

Downstream Product Descriptions			Analogue Private Circuit Rentals		Kilostream N Connections		Kilostream N Rentals		Kilostream Connections		Kilostream Rentals		Own Use	Total Internal Sales
			Volume	£'000	Volume	£'000	Volume	£'000	Volume	£'000	Volume	£'000	£'000	£'000
Ave. price £	Unit measure													
Turnover				xx		xx		xx		xx		xx		xx
Network Charge														
<b>Business Connectivity Market(s)</b>														
TISBO (up to and including 8Mbit/s)														
WH SDSL conns (MPF) TISBO	xx	conns	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
WH SDSL rentals (MPF) (TISBO)	xx	lines	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 2Mbit link per km distribution	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 64Kbit link	xx	links	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 2Mbit link	xx	links	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 64Kbit link per km Distribution	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 64Kbit Trunk	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
2Mbit PC link connection cct provision	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
64Kbit PC link connection cct prov (internal)	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
64kbit PC Re-arranges	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 64kbit link local end	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 2Mbit local end copper	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
PC rental 2Mbit local end fibre	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Separation & Diversity	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Third Party Equipment PPC	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Other Single Payment	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Prot Path PC rental 2Mbit link per km dist	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Prot Path PC rental 2Mbit link	xx	links	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
2Mbit Prot Path PC link conn cct prov	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Prot Path PC rental 2Mbit local end copper	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Prot Path PC rental 2Mbit local end fibre	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Siteconnect rental 2Mbit link per km distribution	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Siteconnect rental 2Mbit link per km trunk	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Siteconnect PPC rental 2Mbit link	xx	links	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
2Mbit Siteconnect PPC link conn cct provision	xx	circuits	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Siteconnect PPC rental 2Mbit local end copper	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx
Siteconnect PPC rental 2Mbit local end fibre	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx		xx

PC rental 2Mbit CLZ link per km dist (int)	xx	km	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit CLZ link (int)	xx	links	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit CLZ LE Copper (int)	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
PC rental 2Mbit CLZ local end fibre (int)	xx	le	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx	xx
													xx	xx	xx
<b>Other SMP Markets</b>														xx	xx
Residual				xx		xx		xx		xx		xx		xx	xx
Own Use				xx		xx		xx		xx		xx		xx	xx
Own Use				xx		xx		xx		xx		xx		xx	xx
<b>Other Charges</b>				xx		xx		xx		xx		xx		xx	xx
<b>Total Network Charge</b>				xx		xx		xx		xx		xx		xx	xx
<b>Gross Margin</b>				xx		xx		xx		xx		xx		xx	xx

## Annex 5

# Modifications to Direction 3 (KCOM)

## **Direction modifying a Direction under section 49 of the Communications Act 2003 and SMP services condition OB2 specifying requirements for the preparation, audit and delivery of regulatory financial statements in respect of wholesale cost accounting, accounting separation and retail cost accounting**

### **BACKGROUND**

(A) As a result of a market analysis carried out by OFCOM in accordance with section 79 of the Act, KCOM has been designated as having SMP in respect of certain identified markets in accordance with section 79 of the Act.

(B) As a result of such SMP designations, KCOM has been subject to various SMP services conditions in accordance with sections 45 and 86 to 91 of the Act, including conditions OB1 to OB33 imposing obligations on KCOM in respect of wholesale cost accounting, accounting separation and retail cost accounting in relation to KCOM's activities in those markets where KCOM has been designated as having SMP.

(C) In complying with conditions OB1 to OB33, and in particular condition OB5, KCOM is required to prepare, secure an audit opinion in respect of, deliver to OFCOM (with the corresponding audit opinion, and publish (with the corresponding audit opinion), the Regulatory Financial Statements as directed by OFCOM from time to time.

(D) Condition OA2 includes, in accordance with section 45(10) of the Act, the ability for OFCOM to make such directions as they consider appropriate from time to time in relation to KCOM's obligations under conditions OB1 to OB33.

(E) OFCOM has made such directions under conditions OB2 in relation to KCOM's obligations under conditions OB1 to OB33.

(G) This Direction modifies Direction 3 which relates to KCOM's obligations under SMP services conditions OB1 to OB33, in that it sets out amendments to the regulatory financial statements which are required to be prepared, audited (including the level of audit), delivered to OFCOM and/or published by KCOM under condition OB5.

(H) For the reasons set out in the explanatory statement accompanying this modified Direction, OFCOM are satisfied that, in accordance with section 49(2) of the Act, this Direction is:

- i. objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
- ii. not such as to discriminate unduly against particular persons or against a particular description of persons;
- iii. proportionate to what it is intended to achieve; and
- iv. in relation to what it is intended to achieve, transparent.



(I) For the reasons set out in the explanatory statement accompanying this Direction, OFCOM have considered and acted in accordance with the six Community requirements set out in section 4 of the Act, with their duty in section 4A of the Act, and with their duties in section 3 of the Act.

(J) In accordance with section 49C of the Act, a copy of this Direction will be sent to the Secretary of State and the European Commission.

## DECISION

1. Ofcom directs that Direction 3 shall be modified as set out in the Annex to this Direction.

2. For the purpose of interpreting this Direction, the following definitions shall apply:

- a) "Act" means the Communications Act 2003 (c. 21);
- b) "KCOM" means KCOM Group plc, whose registered company number is 2150618, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
- c) "Direction 3" means means the Direction given under SMP Services Condition OB2 at Annex 5 of *The Regulatory Financial Reporting obligations on BT and Kingston Communications statement*, dated 22 July 2004 as modified at Annex 6 of the *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update* dated 15 June 2009; and at Annex 5 of the *Changes to BT and KCOM's regulatory and financial reporting 2009/10 update* dated 4 June 2010, which relate to KCOM's obligations under SMP services conditions OB1 to OB33, in that it sets out requirements for the preparation, audit and delivery of regulatory financial statements in respect of wholesale cost accounting, accounting separation and retail cost accounting;
- d) "Notification" means the notification which set in place the obligations on KCOM referred to in recital (B) of this Direction above;
- e) "OFCOM" means the Office of Communications;

3. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Direction and otherwise any word or expression shall have the same meaning as it has in the Notification and otherwise any word or expression shall have the same meaning as it has in the Act.

4. For the purpose of interpreting this Direction:

- a) headings and titles shall be disregarded; and
- b) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

5. This Direction shall take effect on the day it is published.

6. The Annex to this Direction shall form part of this Direction.

**David Brown**

**Director of Competition Finance, Ofcom**

**A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002**

**3 April 2014**

**Annex**

Direction 3 is modified as shown below in that the words struck through are deleted.

**Review of the fixed geographic call termination markets**

	Financial statements					Audit		Published
	CCPS	RTW	RTSA	SoCC Ext	SoCC Int	FPIA	PPIA	
Wholesale market and illustrative services								
<del>Fixed geographic call termination</del>	✗	✗	✗			✗		✗

	Financial statements					Audit		Published
	SoAC FA	NCR FA	SoAC IC	RFR	SDR	FPIA	PPIA	
Wholesale market and illustrative services								
<del>Fixed geographic call termination</del>	✗	✗	✗	✗	✗	✗		✗

	Financial statements					Audit		Published
	Notes	RMP	SPS			FPIA	PPIA	
Wholesale market and illustrative services								
<del>Fixed geographic call termination</del>	✗		✗				✗	✗

	Financial statements			Audit		Published
	TS	SOS	IMT	FPIA	PPIA	
Wholesale market and illustrative services						
<del>Fixed geographic call termination</del>	✗	✗	✗	✗		✗

	RFR	SDR	CCPS, RTW & RTSA	FPIA	PPIA	Published
	Wholesale market and illustrative services					
<del>Fixed geographic call termination</del>	✗	✗	✗	✗		✗

## Annex 6

# Modifications to Direction 4 (KCOM)

## **Direction modifying a Direction under section 49 of the Communications Act 2003 and SMP services condition OB2 specifying requirements for the form and content of Regulatory Financial Statements in respect of wholesale cost accounting, accounting separation and retail cost accounting**

### **BACKGROUND:**

(A) As a result of a market analysis carried out by OFCOM in accordance with section 79 of the Act, KCOM has been designated as having SMP in respect of certain identified markets in accordance with section 79 of the Act.

(B) As a result of such SMP designations, KCOM has been subject to various SMP services conditions in accordance with sections 45 and 86 to 91 of the Act, including conditions OB1 to OB33 imposing obligations on KCOM in respect of wholesale cost accounting, accounting separation and retail cost accounting in relation to KCOM's activities in those markets where KCOM has been designated as having SMP.

(C) In complying with conditions OB1 to OB33, and in particular condition OB5, KCOM is required to prepare such Regulatory Financial Statements as directed by OFCOM from time to time.

(D) Condition OB2 includes, in accordance with section 45(10) of the Act, the ability for OFCOM to make such directions as they consider appropriate from time to time in relation to KCOM's obligations under conditions OB1 to OB33.

(E) OFCOM has made such directions under conditions OB2 in relation to KCOM's obligations under conditions OB1 to OB33.

(F) This Direction modifies Direction 4 which relates to KCOM's obligations under SMP services conditions OB1 to OB33, in that it sets out the form and content to be applied by KCOM in preparing certain Regulatory Financial Statements required by virtue of condition OB5 and Direction 3.

(G) KCOM is entitled to depart from the form and content set out in this Direction in certain circumstances in accordance with conditions OB7 and OB21.

(H) For the reasons set out in the explanatory statement accompanying this modified Direction, OFCOM are satisfied that, in accordance with section 49(2) of the Act, this Direction is:

- i. objectively justifiable in relation to the networks, services, facilities, apparatus or directories to which it relates;
- ii. not such as to discriminate unduly against particular persons or against a particular description of persons;
- iii. proportionate to what it is intended to achieve; and

iv. in relation to what it is intended to achieve, transparent.

(I) For the reasons set out in the explanatory statement accompanying this Direction, OFCOM have considered and acted in accordance with the six Community requirements set out in section 4 of the Act, with their duty in section 4A of the Act, and with their duties in section 3 of the Act.

(J) In accordance with section 49C of the Act, a copy of this Direction will be sent to the Secretary of State and the European Commission.

**DECISION:**

1. Ofcom directs that the form and content to be applied by KCOM in preparing certain Regulatory Financial Statements required by virtue of condition OB5 and Direction 3, and set out in Direction 4, shall be modified as set out in Annex A to this Direction.

2. For the purpose of interpreting this Direction, the following definitions shall apply:

- a) "Act" means the Communications Act 2003 (c. 21);
- b) "KCOM" means KCOM Group plc, whose registered company number is 2150618, and any of its subsidiaries or holding companies, or any subsidiary of such holding companies, all as defined by section 1159 of the Companies Act 2006;
- c) "Direction 3" means means the Direction given under SMP Services Condition OB2 at Annex 5 of *The Regulatory Financial Reporting obligations on BT and Kingston Communications statement*, dated 22 July 2004 as modified at Annex 6 of the *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update* dated 15 June 2009; and at Annex 5 of the *Changes to BT and KCOM's regulatory and financial reporting 2009/10 update* dated 4 June 2010, which relate to KCOM's obligations under SMP services conditions OB1 to OB33, in that it sets out requirements for the preparation, audit and delivery of regulatory financial statements in respect of wholesale cost accounting, accounting separation and retail cost accounting;
- d) "Direction 4" means the Direction 4 given under SMP Services Condition OB2 at Annex 5 of *The Regulatory Financial Reporting obligations on BT and Kingston Communications statement*, dated 22 July 2004 as modified at Annex 7 of *Changes to BT and KCOM's regulatory financial reporting – 2008/09 update* dated 15 June 2009; and at Annex 6 of the *Changes to BT and KCOM's regulatory and financial reporting 2009/10 update* dated 4 June 2010, which relate to KCOM's obligations under SMP services conditions OB1 to OB33, in that it sets out the form and content to be applied by BT in preparing certain RFS required by virtue of condition OA5 and Direction 3;
- e) "Notification" means the notification which set in place the obligations on KCOM referred to in recital (B) of this Direction above;
- h) "OFCOM" means the Office of Communications;

3. Except insofar as the context otherwise requires, words or expressions shall have the meaning assigned to them in this Direction and otherwise any word or expression shall have the same meaning as it has in the Notification and otherwise any word or expression shall have the same meaning as it has in the Act.

4. For the purpose of interpreting this Direction:

- a) headings and titles shall be disregarded; and
- b) the Interpretation Act 1978 (c. 30) shall apply as if this Direction were an Act of Parliament.

5. This Direction shall take effect on the day it is published.

6. The Annex to this Direction shall form part of this Direction.

**David Brown**

**Director of Competition Finance, Ofcom**

**A person authorised by Ofcom under paragraph 18 of the Schedule to the Office of Communications Act 2002**

**3 April 2014**

**Annex**

The form and content of KCOM's Regulatory Financial Statements set out in Direction 4 shall be amended as shown below in that the words struck through are deleted.



**Annex 20**

**Kingston Wholesale Sales by Market Statement - External Sales  
For the year ended 31 March 2014**

	Average NCC rates ppm			NCC Traffic Minutes			24hr	Total charge £k	Percentage Used	Total Payments £k
	Day	Evening	Weekend	Day	Evening	Weekend				

**Wholesale analogue exchange line services (there will be a statement for each market where there are accounting separation obligations)**

List of services supplied from this market

Kingston Wholesale Market : Analogue Exchange Line

Kingston Wholesale Market : ISDN 30 Exchange Line Services in the Hull Area

Kingston Wholesale Market : Call Origination on Fixed Public Narrowband Networks in the Hull Area

~~Kingston Wholesale Market : Call Termination on Fixed Public Narrowband Networks in the Hull Area~~

Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & including 8 Mb/s

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MB/s & up to & including 155 Mb/s

Kingston Wholesale Market : Provision of Alternative Interface Symmetric Broadband Origination at all Bandwidths within the Hull area

**Annex 21**

**Kingston Wholesale Sales by Market Statement - Internal Sales  
For the year ended 31 March 2014**

	Average NCC rates ppm			NCC Traffic Minutes			24hr	Total charge £k	Percentage Used	Total Payments £k
	Day	Evening	Weekend	Day	Evening	Weekend				

**Wholesale analogue exchange line services (there will be a statement for each market where there are accounting separation obligations)**

List of services supplied from this market

Kingston Wholesale Market : Analogue Exchange Line

Kingston Wholesale Market : ISDN 30 Exchange Line Services in the Hull Area

Kingston Wholesale Market : Call Origination on Fixed Public Narrowband Networks in the Hull Area

~~Kingston Wholesale Market : Call Termination on Fixed Public Narrowband Networks in the Hull Area~~

Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & including 8 Mb/s

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MB/s & up to & including 155 Mb/s

Kingston Wholesale Market : Provision of Alternative Interface Symmetric Broadband Origination at all Bandwidths within the Hull area

## Annex 6

# Glossary

**Alternative interface symmetric broadband origination (AISBO)**

A form of symmetric broadband origination service providing symmetric capacity between two sites, generally using an Ethernet IEEE 802.3 interface.

**Fully allocated cost (FAC)**

An accounting approach under which all the costs of the company are distributed between its various products and services. The fully allocated cost of a product or service may therefore include some common costs that are not directly attributable to the service.

**Long Run Incremental Cost (LRIC)**

The cost caused by the provision of a defined increment of output given that costs can, if necessary, be varied and that some level of output is already produced.

**Multiple Interface (MI) leased lines**

Leased line services with bandwidths greater than 1Gbits/s and leased lines services of any bandwidth delivered using WDM equipment at the customer's premises.

**Distributed long run incremental cost (DLRIC):** The LRIC of the individual service with a share of costs which are common to other services over BT's core network.

**Distributed stand alone cost (DSAC):** An accounting approach estimated by adding to the DLRIC a proportionate share of the inter-increment common costs. Rather than all common costs shared by a service being allocated to the service under consideration, the common costs are instead allocated amongst all the services that share the network increment.

**Traditional interface symmetric broadband origination (TISBO)**

A form of symmetric broadband origination service providing symmetric capacity from a customer's premises to an appropriate point of aggregation in the network hierarchy, using a ITU G.703 interface.