

# Appendix three: Attribution diagrams

Relating to the 2024 Regulatory Financial Statements

## Appendix 3: Attribution diagrams

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### 3 Overview of Operating Costs and MCE

This section sets out the key attribution methodologies associated with the cost and mean capital employed (MCE) sectors published in the Regulatory Financial Statement (RFS). Ofcom have directed us to publish diagrams for the largest reported balances covering the majority of costs and MCE in the “Attribution of Operating Costs and MCE” tables which attribute to the SMP markets as part of the ‘Promoting competition and investment in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26’ (WFTMR) statement published in March 2021. We believe these diagrams provide a simplified overview of methodologies, to supplement more detailed specific methodologies in the AMD (section five).

Allocations are tracked through the five main layers:

- **Account Balances (GL):** this layer includes all balances recorded in the general ledger (GL) with journals and Current Cost Accounting (CCA) balances.
- **Bases:** this layer includes the attribution bases used to apportion balances between multiple cost pools.
- **Network Cost (PG):** this layer includes Plant groups (PGs) which are used to attribute the costs and asset values of activities, equipment and infrastructure for the purposes of running and selling network services.
- **Component:** this layer contains groupings of costs and assets representing discrete parts of BT’s Network.
- **Market:** this layer is presented in the RFS and the Markets are set by WFTMR for regulatory purposes.

On the diagrams we show the symbol of the object (i.e. OV-CE for the base of Chief Engineer Office related overhead costs) and the driver of the allocation (i.e. FTE Headcount). We allocate cost and MCE directly to products and services where possible. Where there is not a direct relationship, we follow specific methodologies utilising a common driver. For the list of these common drivers and for details please refer to the AMD section 4.7. In some cases, objects at one layer may allocate to many objects at the next layer. To ensure these diagrams are clear and easy to understand, minor allocations are amalgamated into an “other” category. When a cost is attributed using multiple layers of activity groups these charts only reflect the primary or first activity group on the cost allocation pathway.

Technical methodology details relating to attribution objects can be found in part two of the AMD.

#### 3.1 Operating Costs

The sectors reported in the RFS 'Attribution of Operating Costs' schedules, along with the key methodology drivers of these sectors, are outlined below. The costs within these categories follow methodologies set out within Part two of the AMD.

The following cost categories have not been presented separately as the allocation is 100% to Rest of BT in FY23 and FY24:

- Share-based payment expense
- Sales commissions
- Payment to telecommunications operators
- TV programme rights charges

The following cost categories have not been presented as there is £nil cost in FY23 and FY24:

- EOI input prices

The following cost categories have not been presented as there are significant negative balances, which cannot be presented within the Sankey diagrams:

- Other operating costs

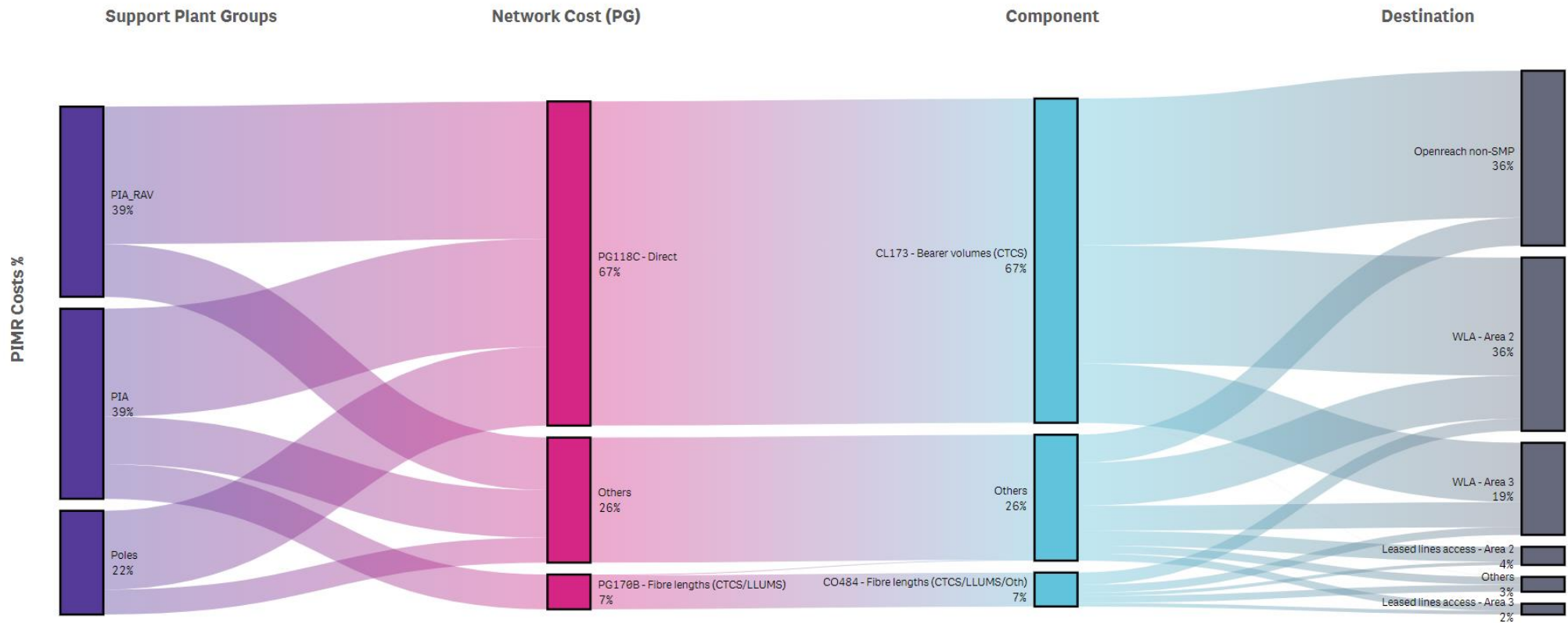
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## 3.1.1 Attribution of PI costs

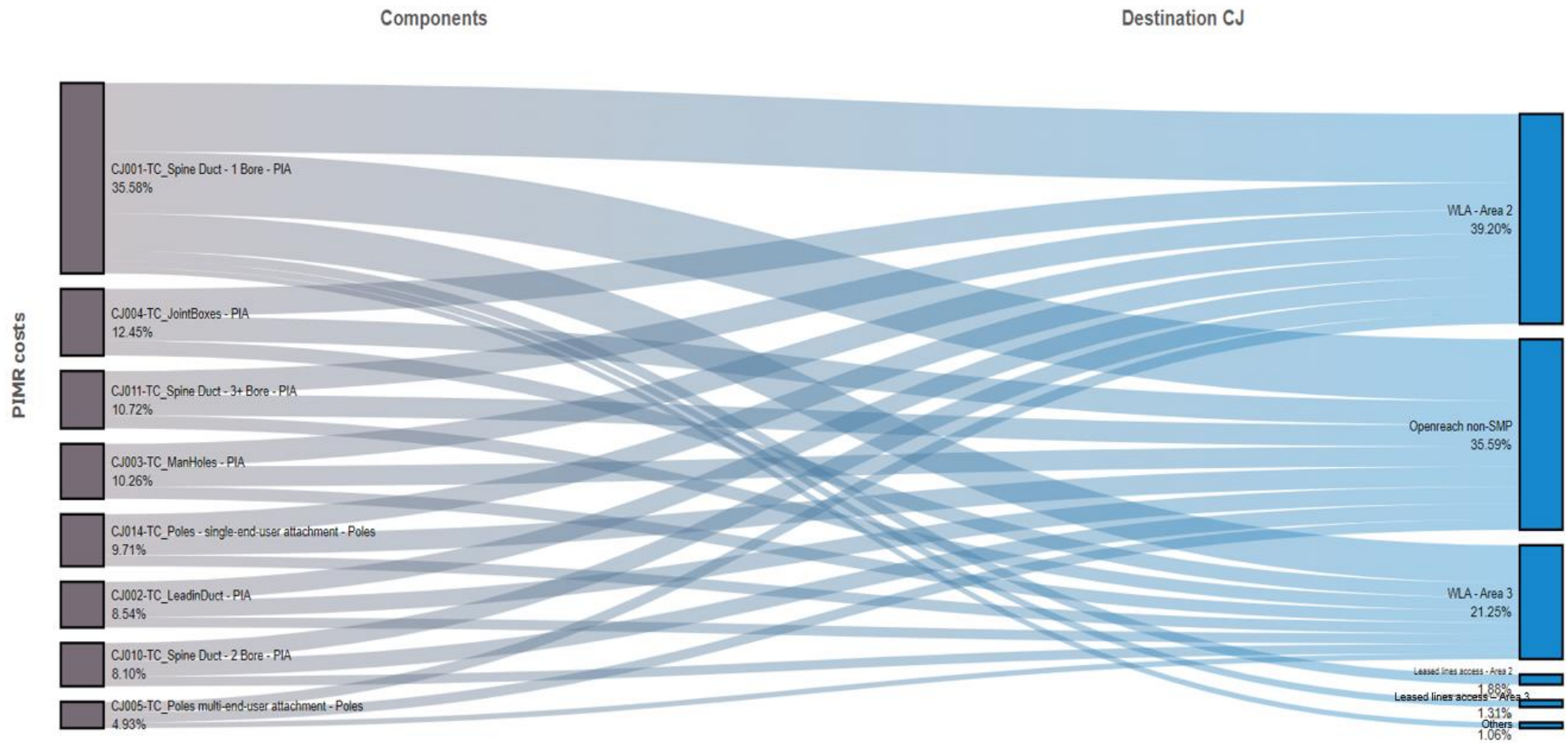
This represents the use of physical infrastructure (PI) assets (duct and pole) by other markets.

Costs and MCE are allocated to the PI market, these are predominantly duct, pole assets and associated depreciation. The fully allocated cost (FAC) is recognised as internal revenue in the PI market and recharged to downstream markets as cost. There are three volume drivers set up for the components allocating to downstream markets: Poles, PIA and PIA\_RAV.

The first diagram below shows the allocation of the volume drivers to downstream markets. The second diagram demonstrates the Physical Infrastructure charge, allocated based on the relevant volume driver.



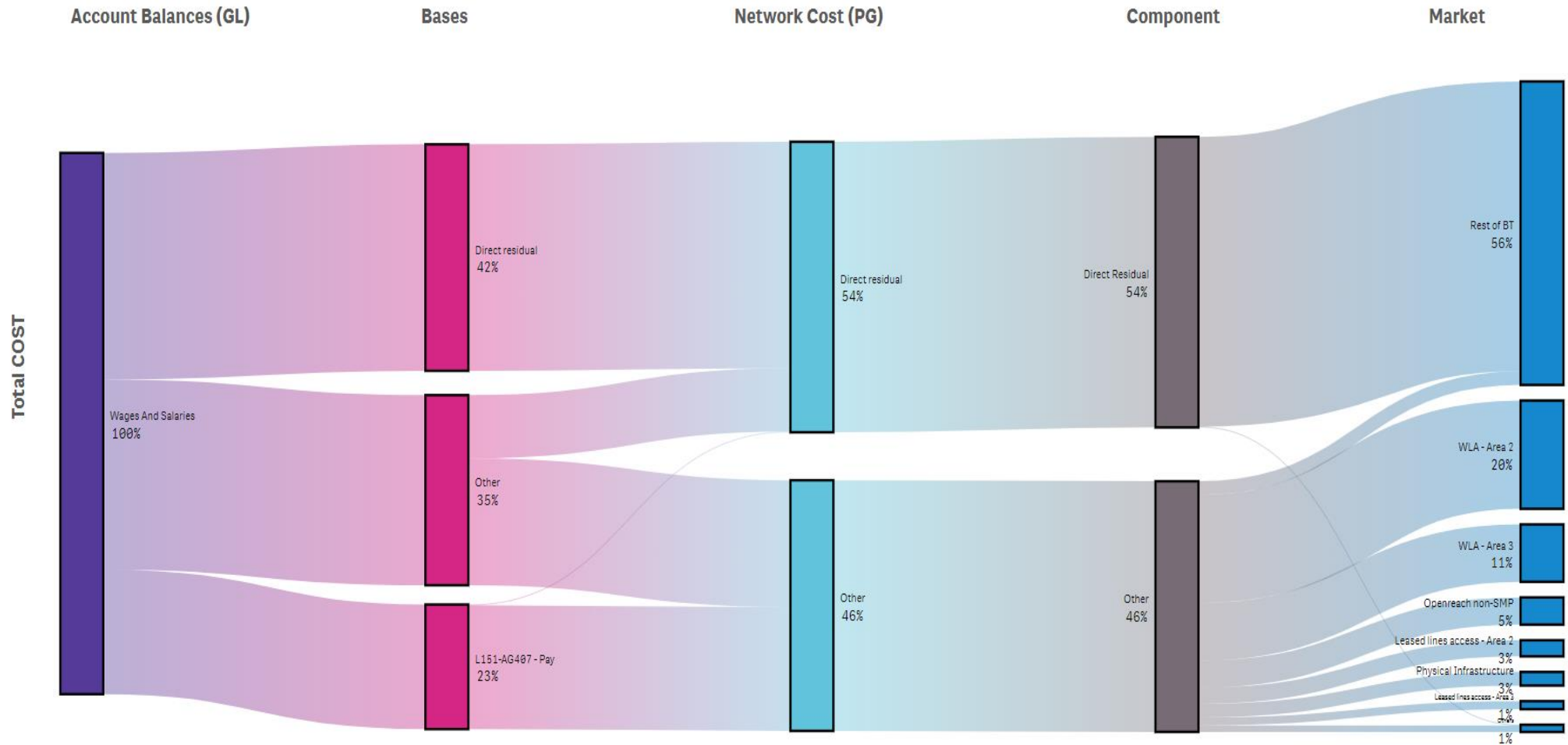
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## 3.1.2 Wages and Salaries

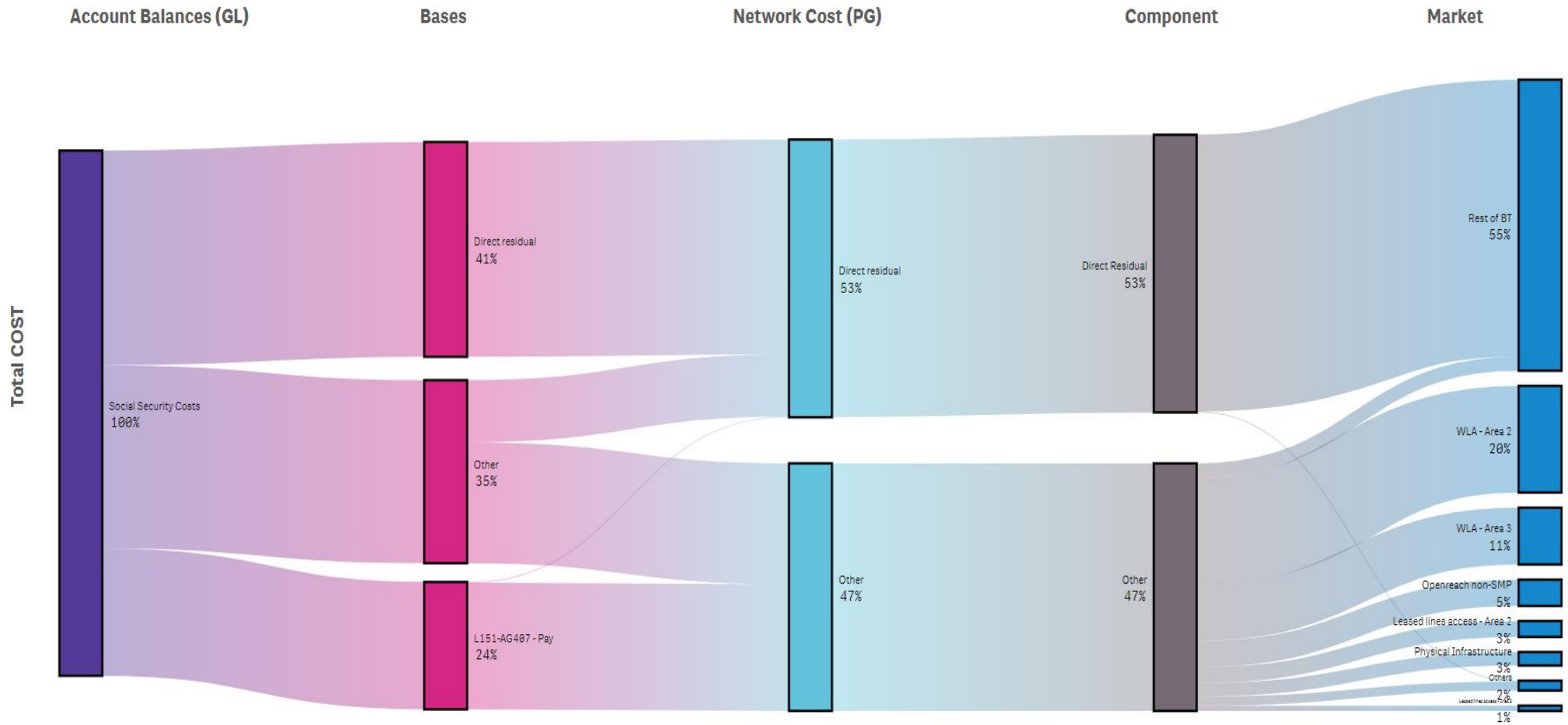
These costs are grouped in the GL layer and primarily have a direct attribution to Rest of BT. Costs are also attributed to WLA via bases: AG407: Openreach operations pay driver (this AG apportions cost to a large number of AGs, PGs and products, predominantly over Access Distribution Fibre, D-side Copper Cable/Cable Maintenance, Analogue Line Final Drop, GEA Customer Site Installations and GEA FTTP Distribution Fibre) and OV-CE: Openreach Chief Engineers (this base apportions the costs and MCE related to Openreach Chief Engineers Office team based on the FTE headcount numbers for each PG within the team).



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## 3.1.3 Social Security

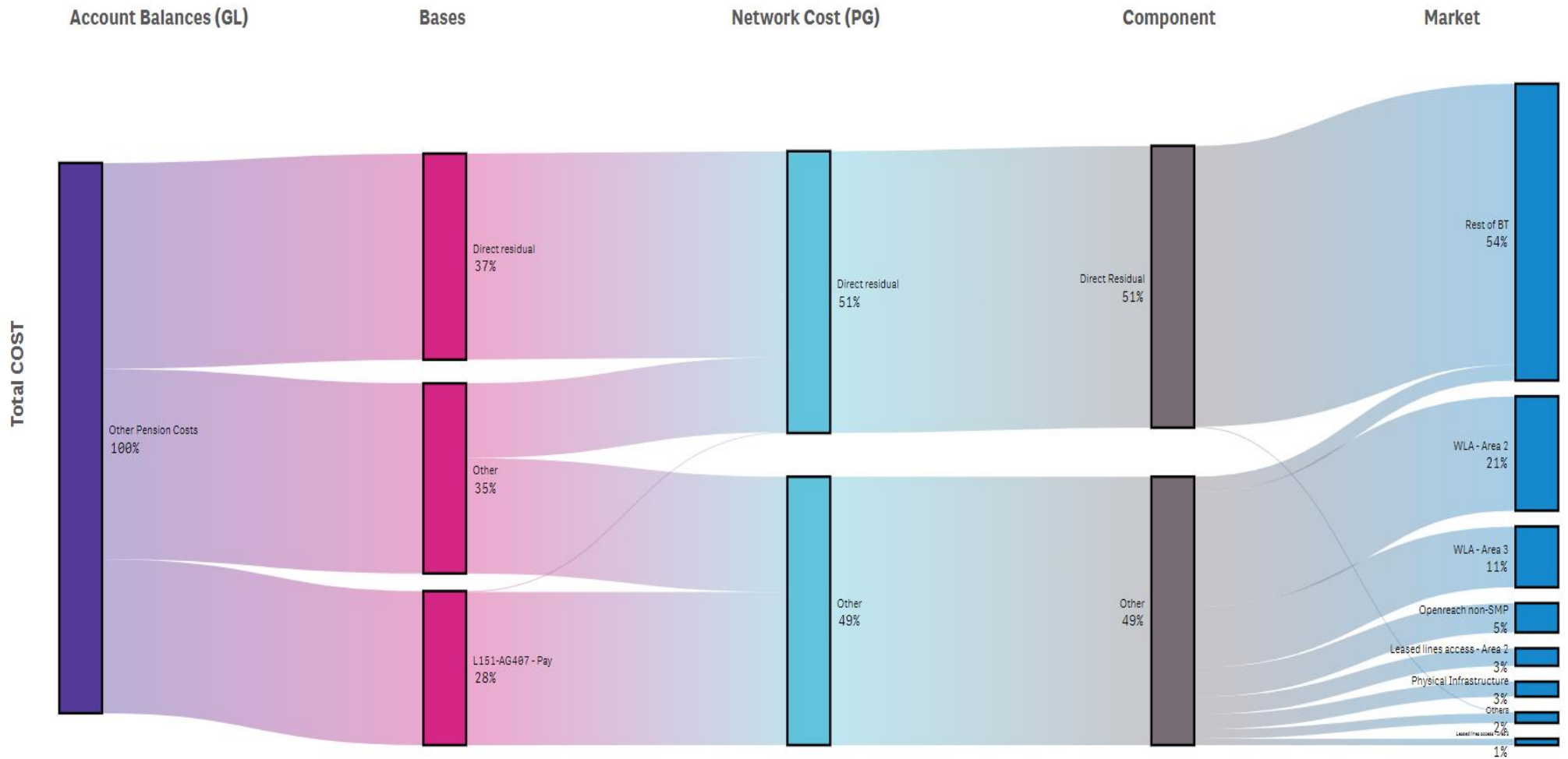
These costs allocate via the same allocation pathways as Wages and Salaries. Please see detailed information within section 3.1.2 Wages and Salaries.



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## 3.1.4 Other Pension Costs

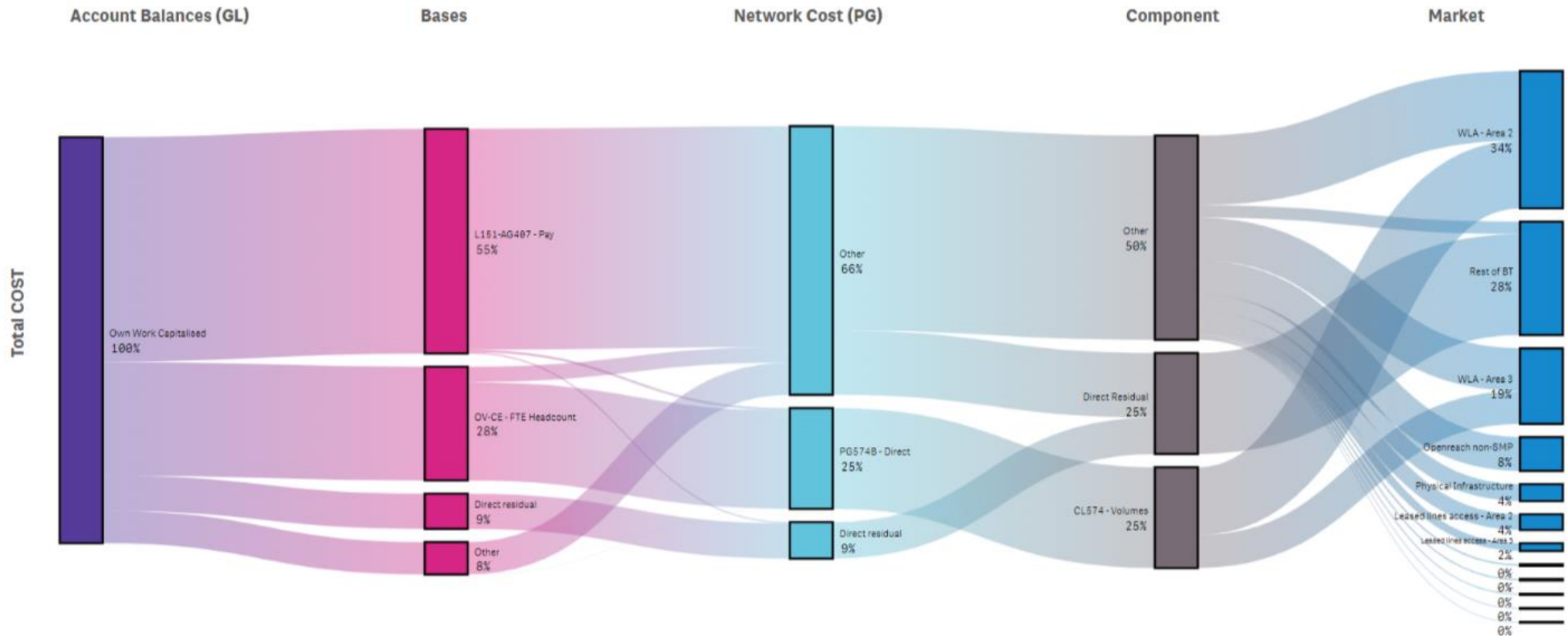
These costs allocate via the same allocation pathways as Wages and Salaries. Please see detailed information within section 3.1.2 Wages and Salaries.



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## 3.1.5 Own work Capitalised

Own work capitalised represents the capitalisation of direct labour costs, relating to the internal development activities and construction of property, plant and equipment. These costs are grouped in the GL layer and are mostly attributed to WLA markets via bases: AG407: Pay and OV-CE: FTE Headcount. Within the Network Cost (PG) layer we have grouped the portion of Direct Residual costs allocated from the 'Other' base with 'Other' PGs allocated from the 'Other' base, due to negative balances present within the 'Other' base. This does not impact SMP market allocations.

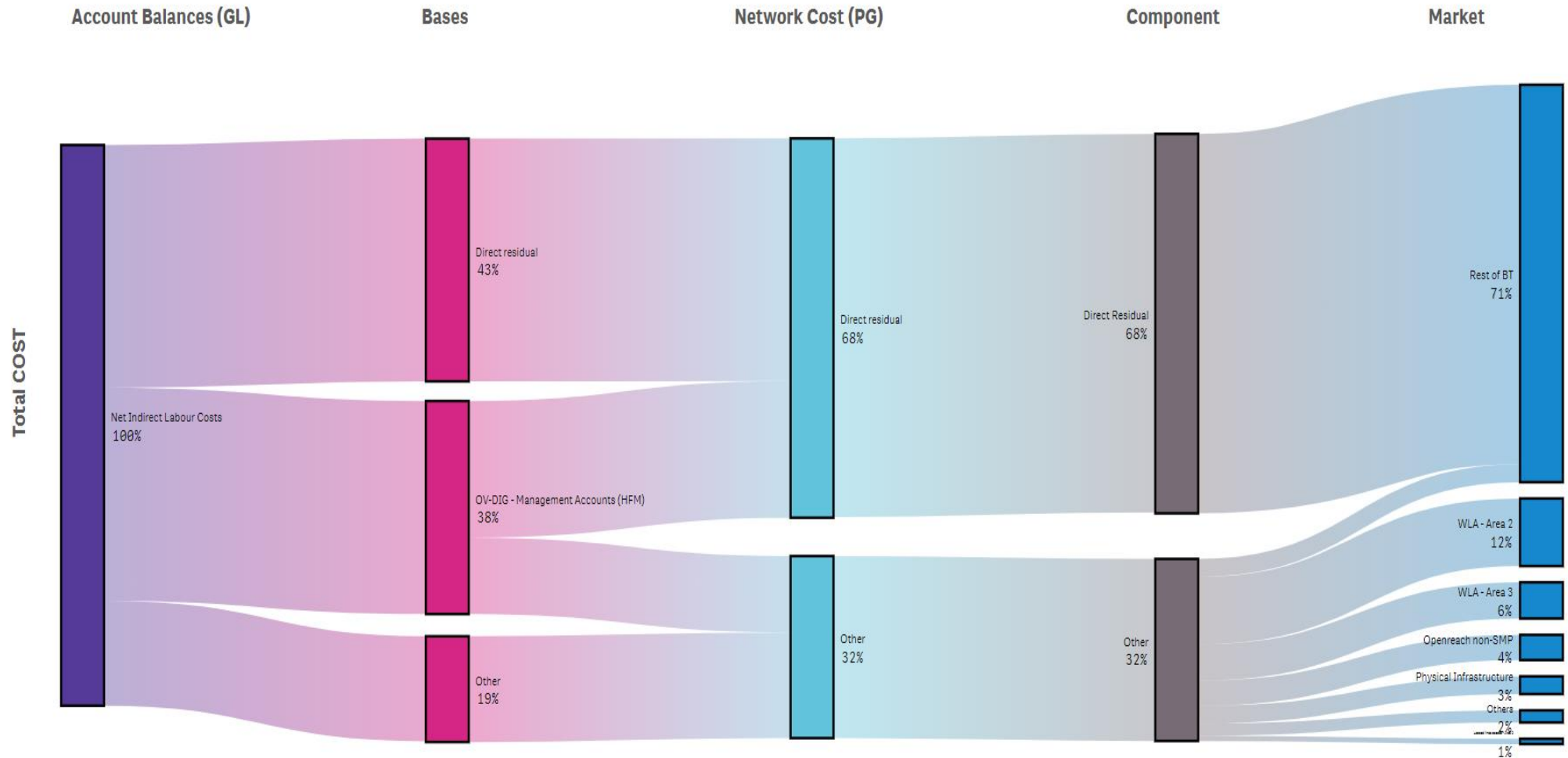




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## 3.1.6 Net indirect labour costs

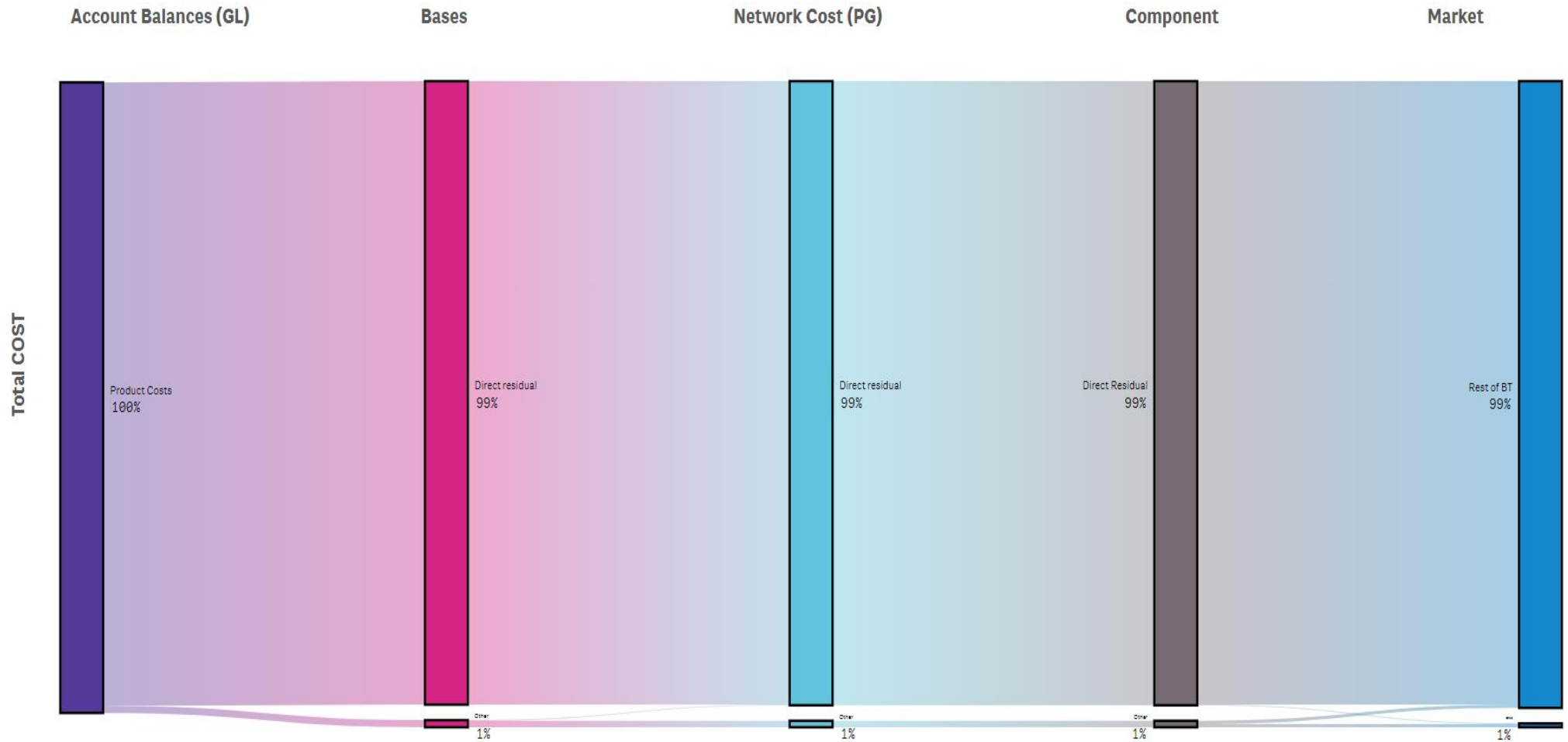
These are labour costs provided by third parties. These costs are grouped in the GL layer and are mostly attributed to Rest of BT Residual via direct attribution. Digital Overheads costs are allocated by OV-DIG: Digital overheads with onward allocation based on management accounts and Other bases outlined in the AMD.



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## 3.1.7 Product costs

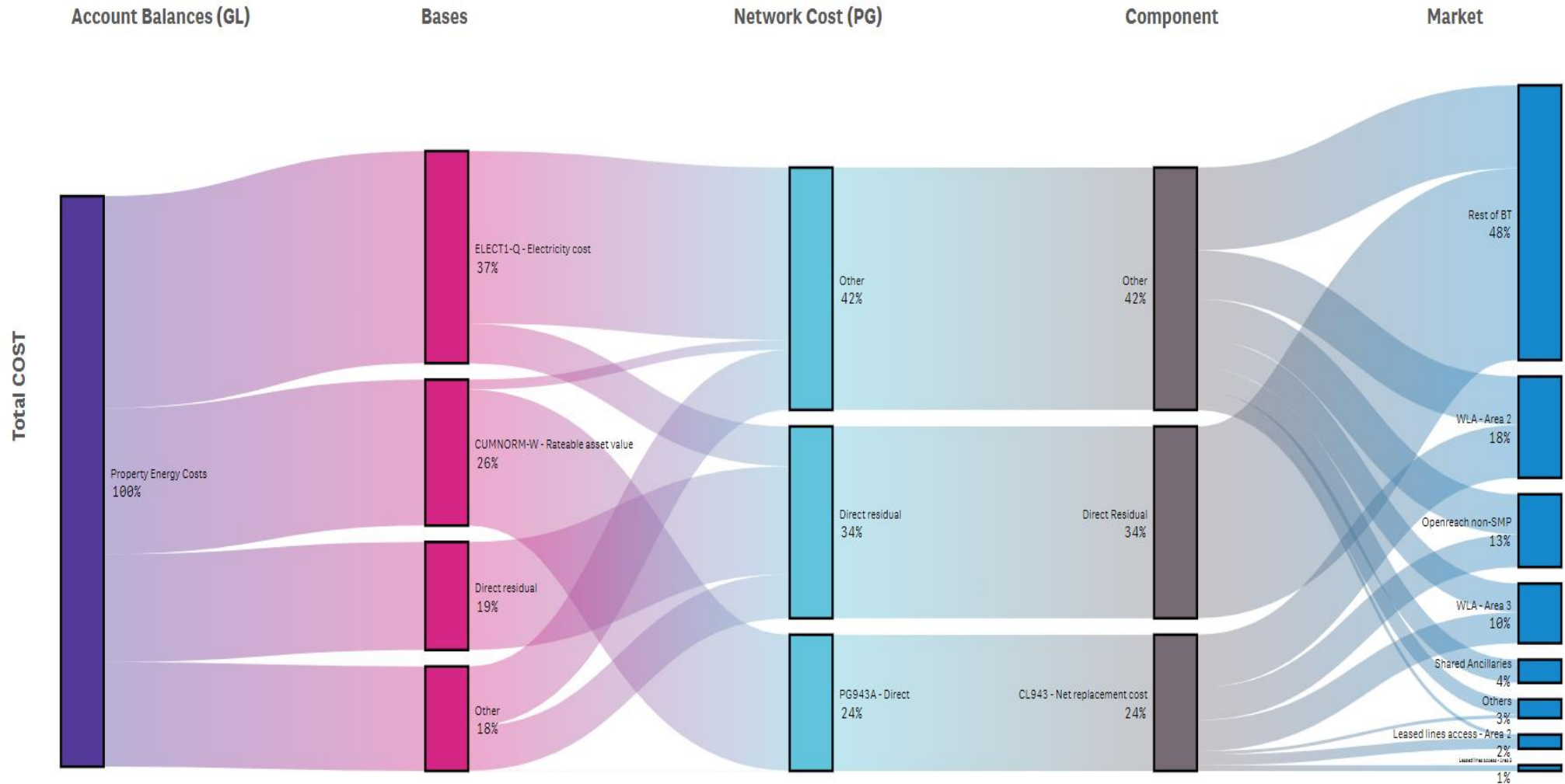
Product costs are relating to the purchase of devices and customer premises equipment. These costs are grouped in the GL layer and predominantly attributed to Rest of BT Residual via Direct Residual allocation.



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## 3.1.8 Property and energy costs

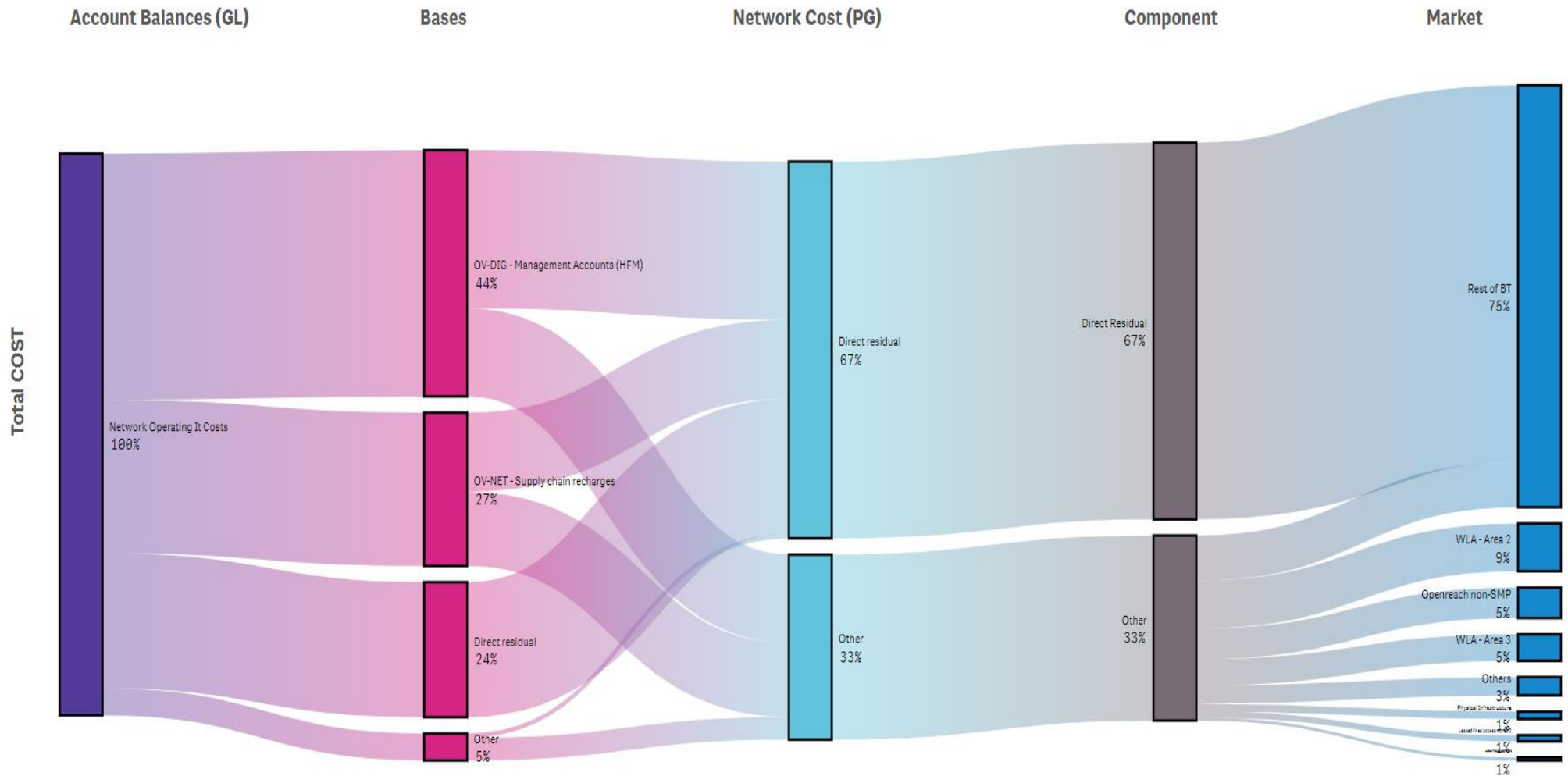
Property and energy costs includes all costs associated with the occupancy of the property and engineering, and all utility related costs, including electricity, gas, oil and water. These costs are grouped in the GL layer with Electricity costs allocated by ELECT1-Q, based on electricity usage, and Cumulo costs allocated by CUMNORM-W, based on Rateable Asset Value. These bases apportion costs to a number of PGs (Network Cost layer) which then allocate onto various components and markets. Rest of BT takes 48% of these costs, with other costs allocating to WLA markets and Openreach non-SMP markets. At Network Cost layer, Other costs includes PG192A: FTTC Copper Tie Cables: 6% and PG120B: LLU Electricity Usage – OR: 4%.



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## 3.1.9 Network operating and IT costs

Network operating and IT costs are costs associated with the operation and maintenance of the group's network infrastructure and IT estate including hardware and software licenses. These costs are grouped in the GL layer and are primarily allocated to Rest of BT markets via direct residual PGs and components. A proportion of these costs grouped in layer L101 are attributed via OV-DIG: Digital overheads, based on the management accounts driver and Other bases which then attribute to various PGs and components, predominantly within Rest of BT, WLA and Openreach non-SMP markets. Other at Network Cost layer includes PG949C: GEA FTTP Distribution Fibre: 3% and PG954C: GEA Customer Site Installations: 2%. Other at Component layer includes CL949: One Fibre Network – Distribution fibre:3% and CL174: D side copper current: 2%.

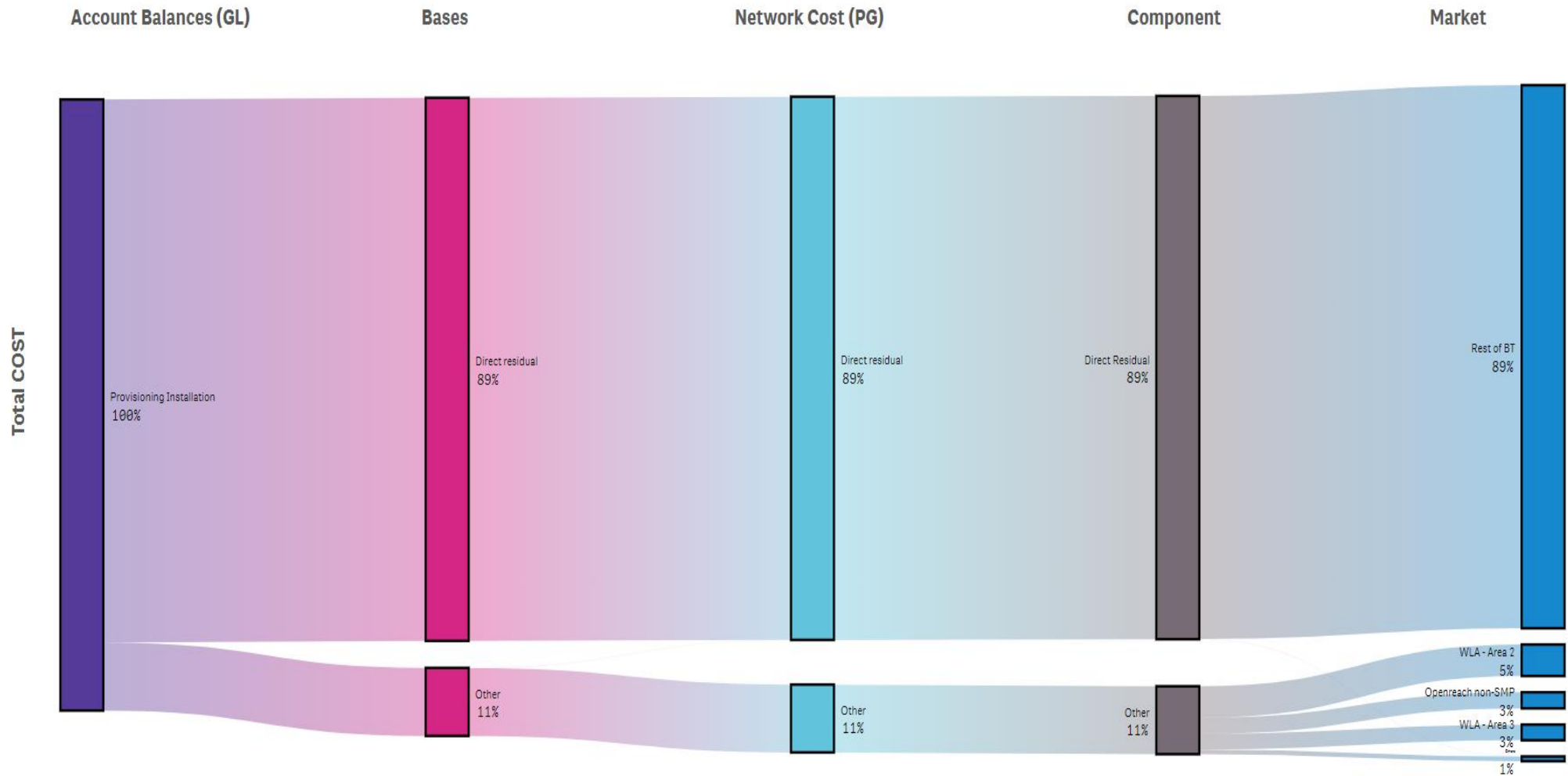


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## 3.1.10 Provision and installation

Provision and installation includes costs of providing products and network services to customers. The largest of these costs relates to distribution side copper maintenance which is apportioned to services based on the number of lines, relative fault rates and service levels.

These costs are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual allocations. A small proportion of provisioning and installation costs are also attributed to WLA. Other at Bases layer includes AG407: Openreach Operations Pay: 5% and L151 -PG149A: Analogue Line Final Drop: 5%. Other at Network Cost layer includes PG149A Analogue Line Final Drop: 5% and PG957P: GEA FTTP Provision: 1%. Other at Component layer includes CL178: Dropwire capital & analogue NTE: 5% and CL957: GEA FTTP Provisions: 1%.

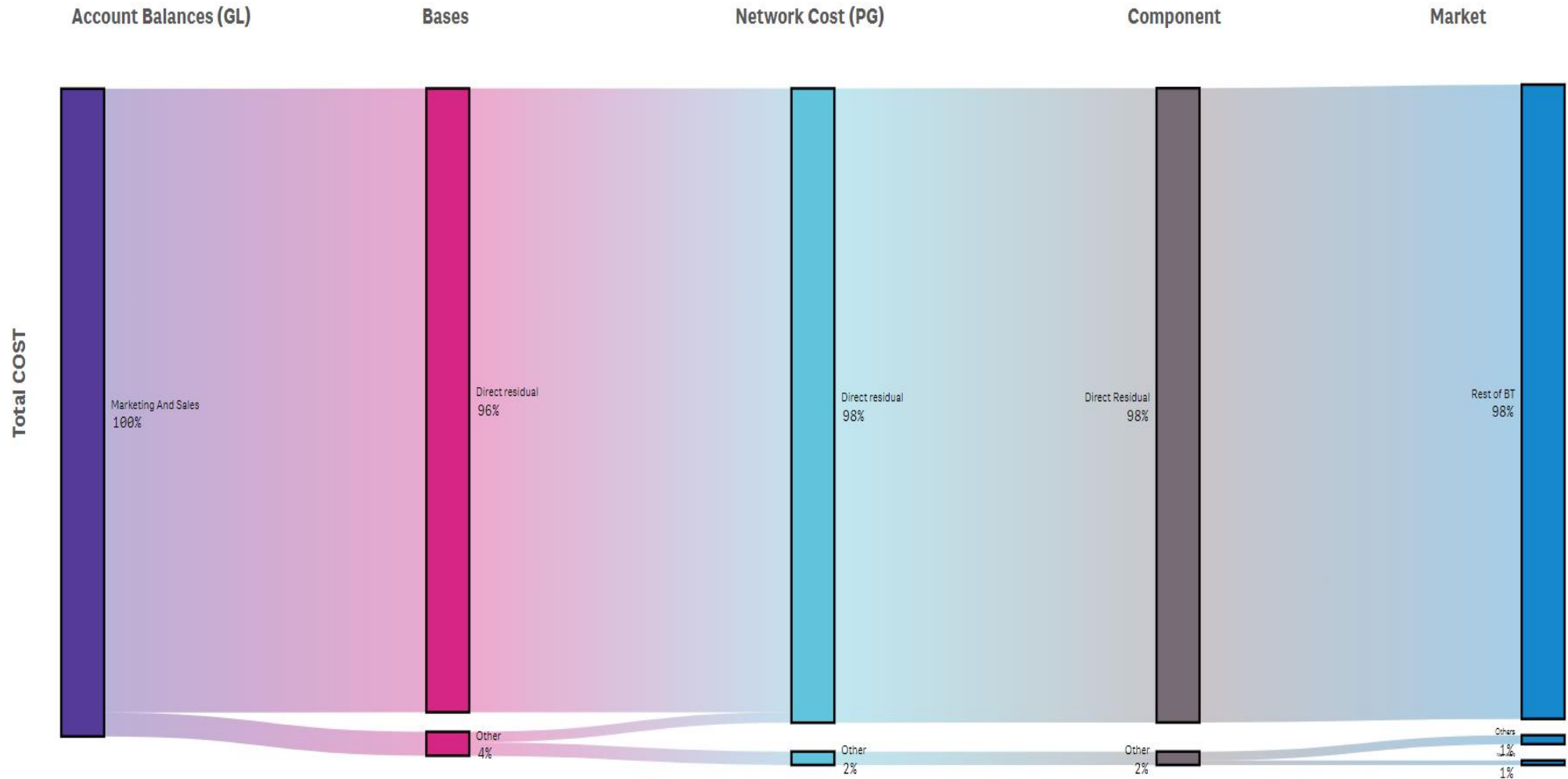


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## 3.1.11 Marketing and sales

Marketing and sales costs includes costs for publicising and presenting the products and services of BT Group to customers. It also includes costs incurred to secure potential orders for BT's products and services.

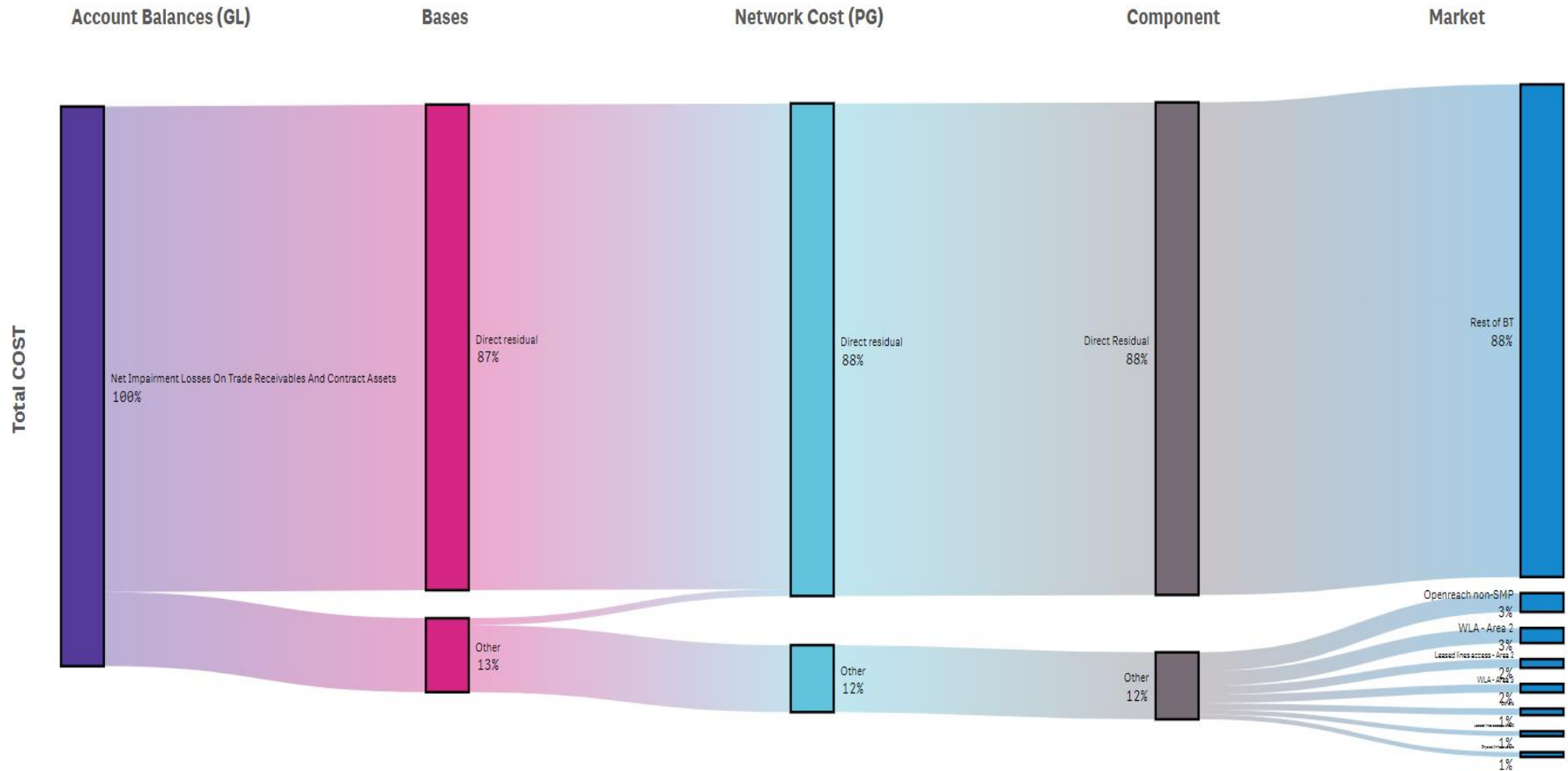
These costs are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual allocations.



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## 3.1.12 Net impairment of losses on TR and contract assets

These are impairment costs where the carrying amount of trade receivables or contract assets may no longer be fully recoverable. These costs are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual allocations.



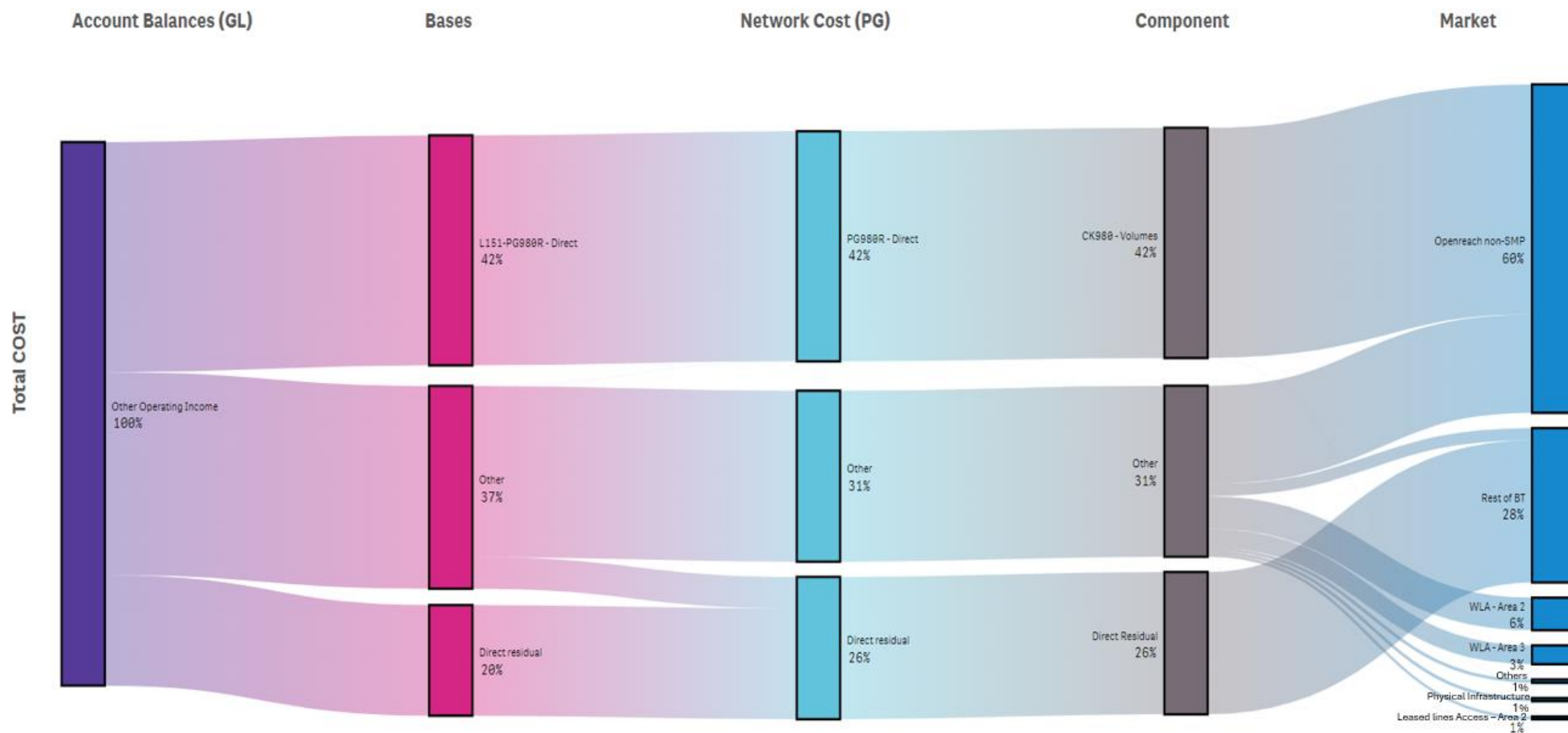
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## 3.1.13 Other operating income

Income that BT receives from activities outside the provision of communication sales and services should be recognised as Other Operating Income. This includes:

- repayment works;
- proceeds from scrap and cable recovery;
- profits and losses on the disposals of business; and
- profits and losses on property, plant and equipment.

The majority of other costs are allocated directly to Non-SMP markets via PG980R: Repayment works and ORCOPOOL-Q: Sale of scrap and to Rest of BT via direct Residual allocations.

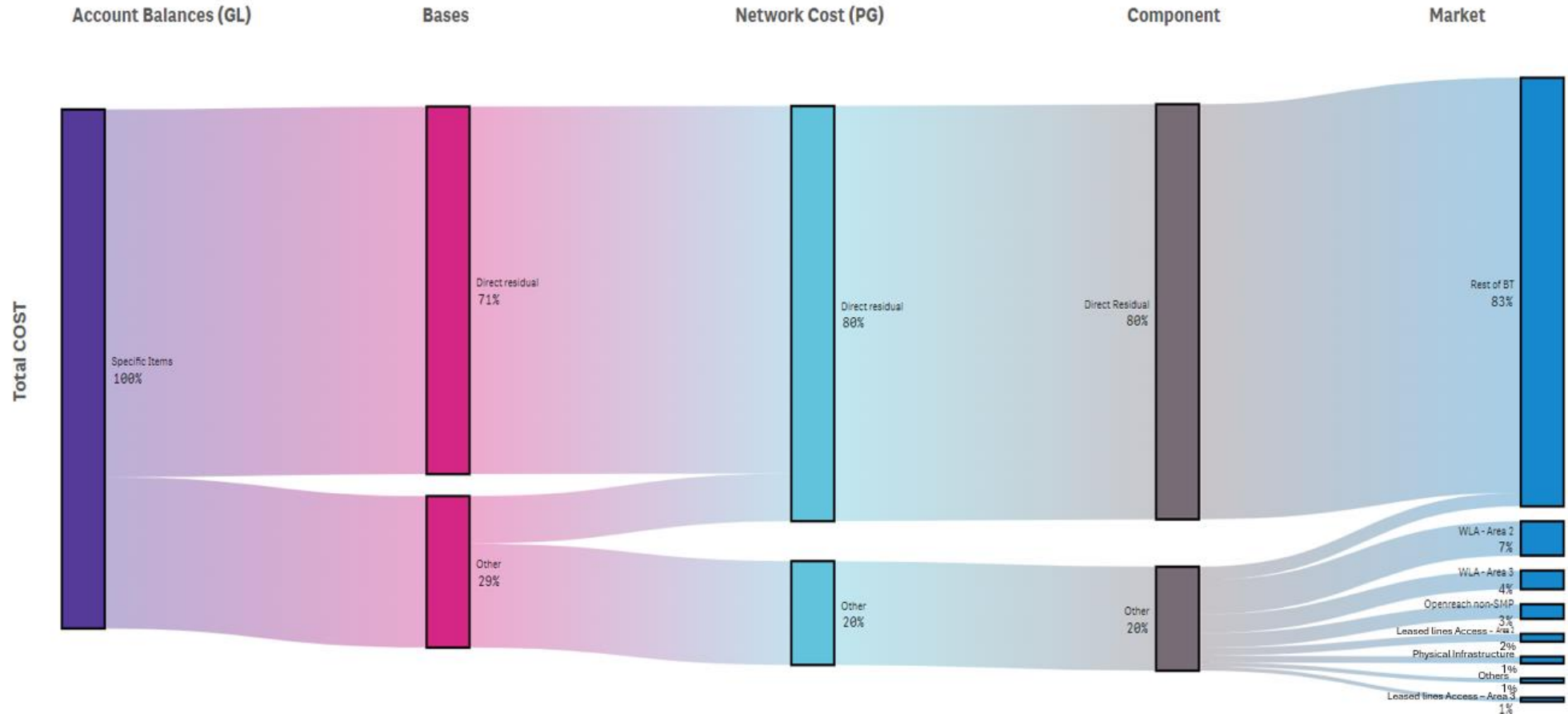




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## 3.1.14 Specific Items

Specific items are costs identified by virtue of their size, nature or incidence. For example, these may include significant business restructuring programmes, acquisitions and disposals of businesses and investments, or property rationalisation programmes. The majority of these costs are allocated directly to Rest of BT via Direct Residual allocations, with a small proportion allocated to AG401: Pay: 10% and ACCOMM1-Q: Property costs: 6%. Other at the network layer includes PG502B SG&A Openreach Sales Product Management: 3% and PG949C GEA FTTP Distribution Fibre: 3%. Components grouped under other include CP502: Openreach sales product management: 3% and CL949: One Fibre Network – Distribution fibre: 3%.



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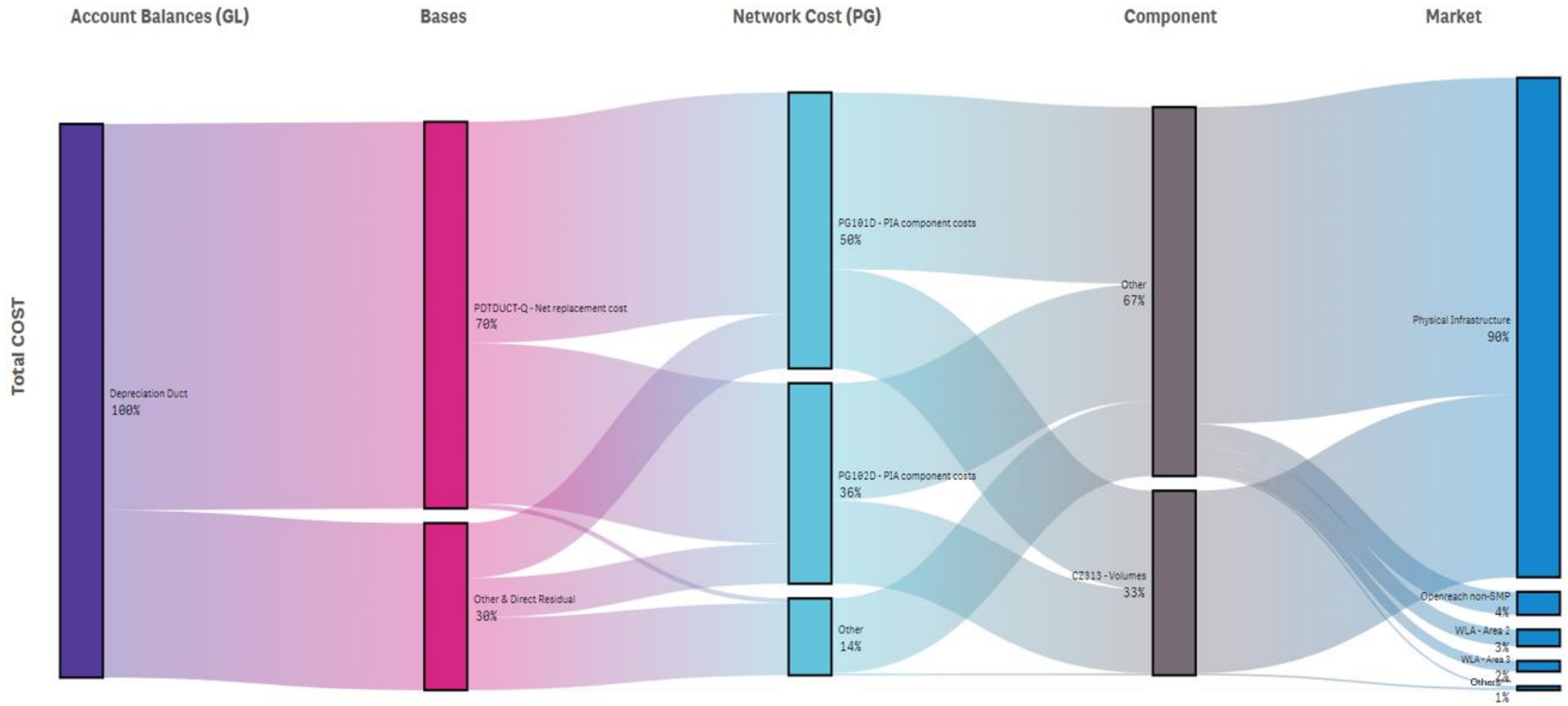
### 3.2 Depreciation

Depreciation is analysed between copper, duct, electronics, fibre, poles, land and buildings, funded assets, other assets, right of use assets (RoU) and software. The key drivers are engineering models and direct mapping of BT classes of work to network components and then onto the appropriate service based on usage factors and service volumes.

#### 3.2.1 Depreciation – Duct

This sector contains the depreciation costs for duct, which is a pipe, tube or conduit through which underground cables are passed. The key driver is a duct model that allocates CoW to Physical Infrastructure Access (PIA) components and then onto the appropriate service based on usage factors and actual service volumes. These depreciation costs are grouped in the GL layer and predominantly attributed via PDTDUCT-Q or PDTDUCT1-Q which apportion costs relating to the Duct asset. These bases are driven by Net Replacement Cost (NRC). PG101D and PG102D are driven by PIA component costs and apportion the depreciation costs to various components which are driven by volumes and onto services predominantly within Openreach SMP markets. PG101D allocates the duct infrastructure of assets installed before March 2018 and PG102D after March 2018. PG100D includes a CCA adjustment for Regulatory asset value (RAV), which attributes to Openreach SMP markets, however this is not reflected in the underlying values used to produce the diagram below. Details on the calculation of the RAV adjustment are set out in section seven of part two of the AMD. Total costs in WLA markets are allocated by PG192A: 5% and CL192: 5%.

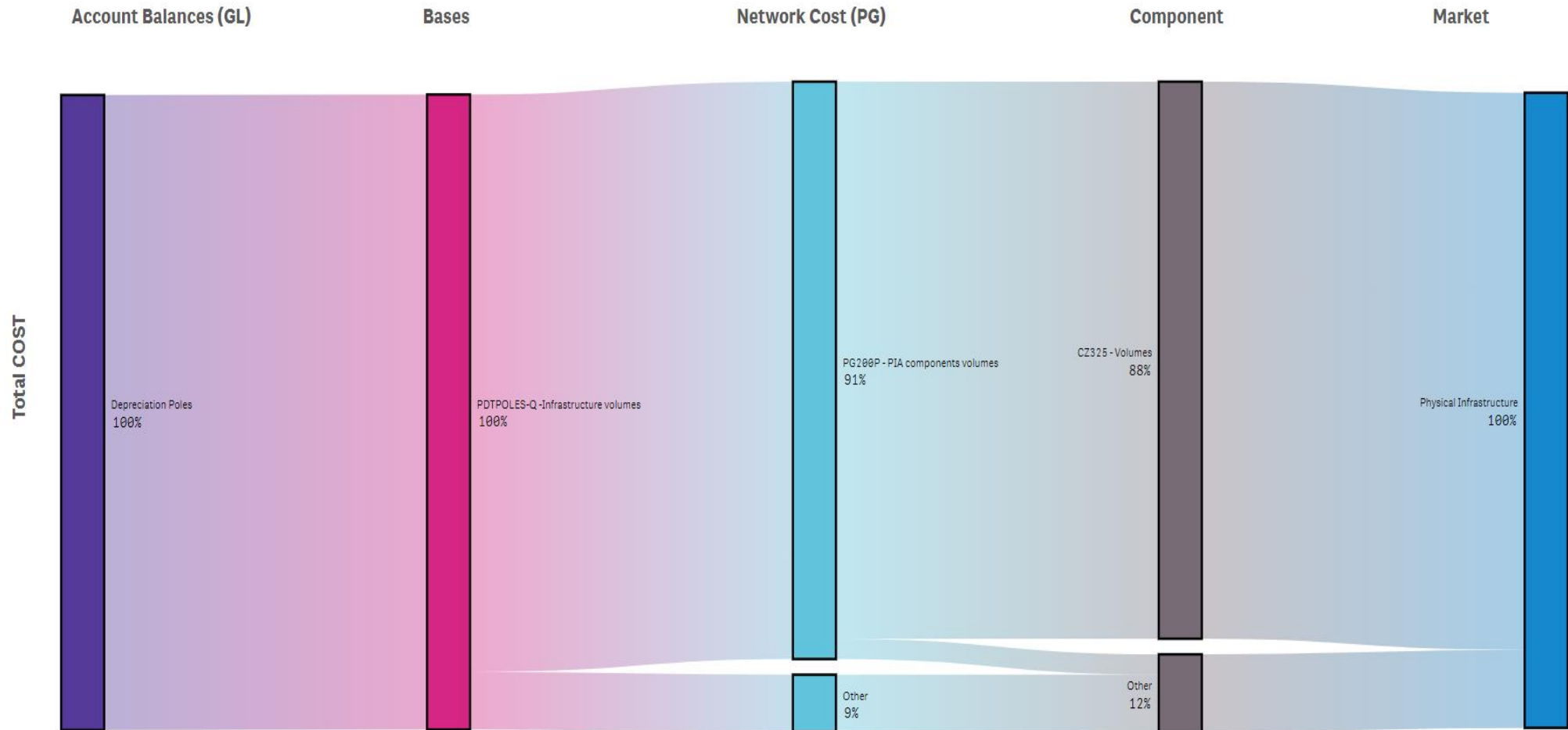
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## 3.2.2 Depreciation – Poles

These costs are grouped in the GL layer and attributed to Physical Infrastructure market via PDTPOLES-Q, which apportions balances associated with poles capital expenditure between internal and external components based on infrastructure volumes. Costs are then allocated predominantly to PG200P: Poles Capex with PIA Components volume driver. From this PG costs are mainly allocated to CZ325: Poles Internal where the downstream cost of telegraph poles which are used as distribution points to end users are distributed through volumes within the PIA market.



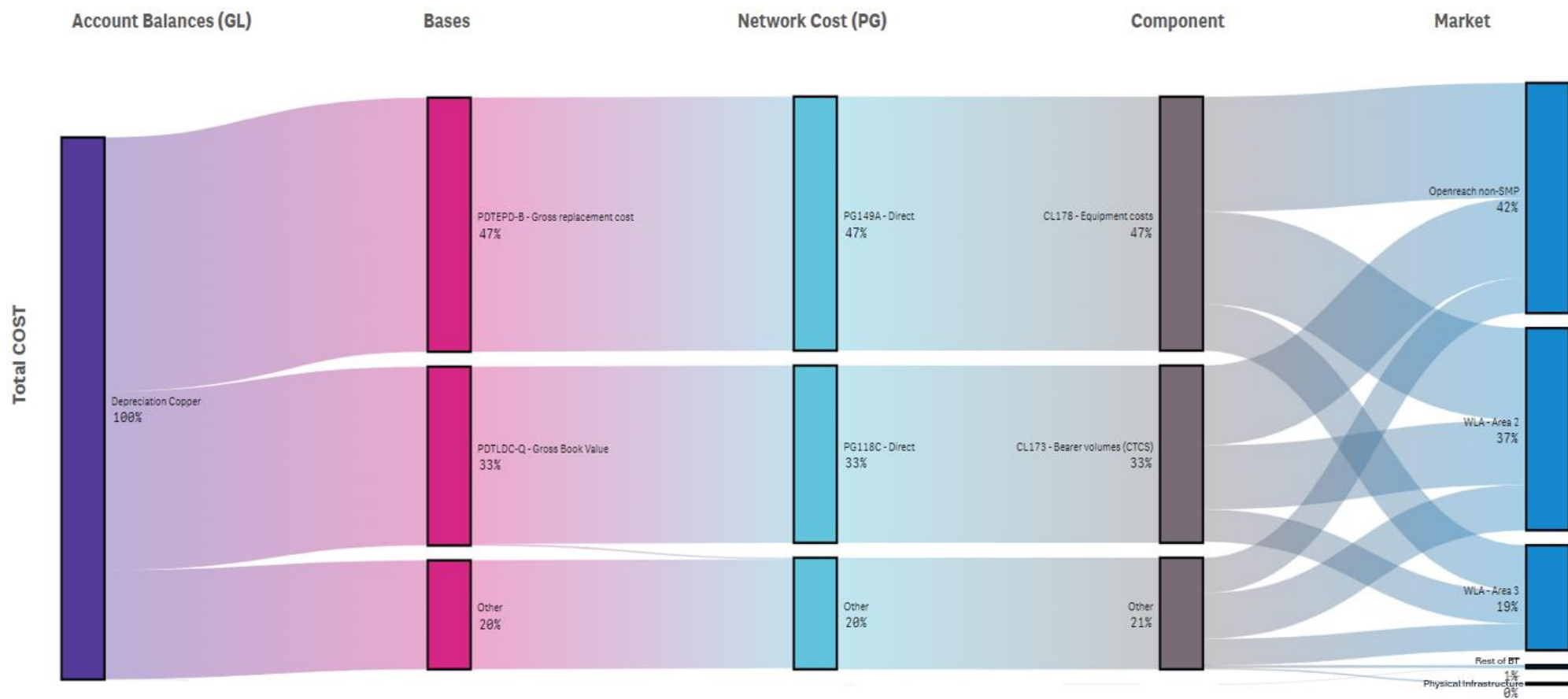
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## 3.2.3 Depreciation - Copper

This sector contains the depreciation costs for Access Copper, which includes copper cables in the access network, as well as all other necessary equipment required to carry signals between the user and the exchange.

The depreciation costs are grouped in the GL layer based on COW, they attributed via asset metric bases including PDTEPD-B: Expedites which is driven by gross replacement cost, PDTLDC-Q: Local Distribution Cable (LDC) Construction, which is driven by gross book value, and PDTLMC-Q: Exchange Side Cables which is driven by depreciation and is included in "Other". PDTEPD-B apportions the derived Expedite provision costs from NWB (Provision & Installation, Exchange lines (Business)) and NWR (Provision & Installation, Exchange lines (Residential)) classes of work to PG149A: Analogue Line Final Drop. This PG allocates the Dropwire costs and assets associated with specific analogue line based products, mainly copper depreciation and non-current assets into CL178: Dropwire capital and analogue NTE. PDTLDC-Q apportions depreciation costs mainly to PG118C: D-Side Copper Cable, which allocates directly to CL173: D side copper capital.



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### 3.2.4 Depreciation – Fibre

This sector contains the depreciation values for fibre which includes:

- Access fibre: the spine and distribution cables, as well as all other necessary equipment required to connect the end-user and the exchange;
- Backhaul fibre: the fibre required for inter-exchange connectivity; and
- Core fibre: the fibre required for high capacity data transfer between primary nodes in the network.

The bulk of the fibre in the network is concentrated in the access network (from the exchange to the end customer).

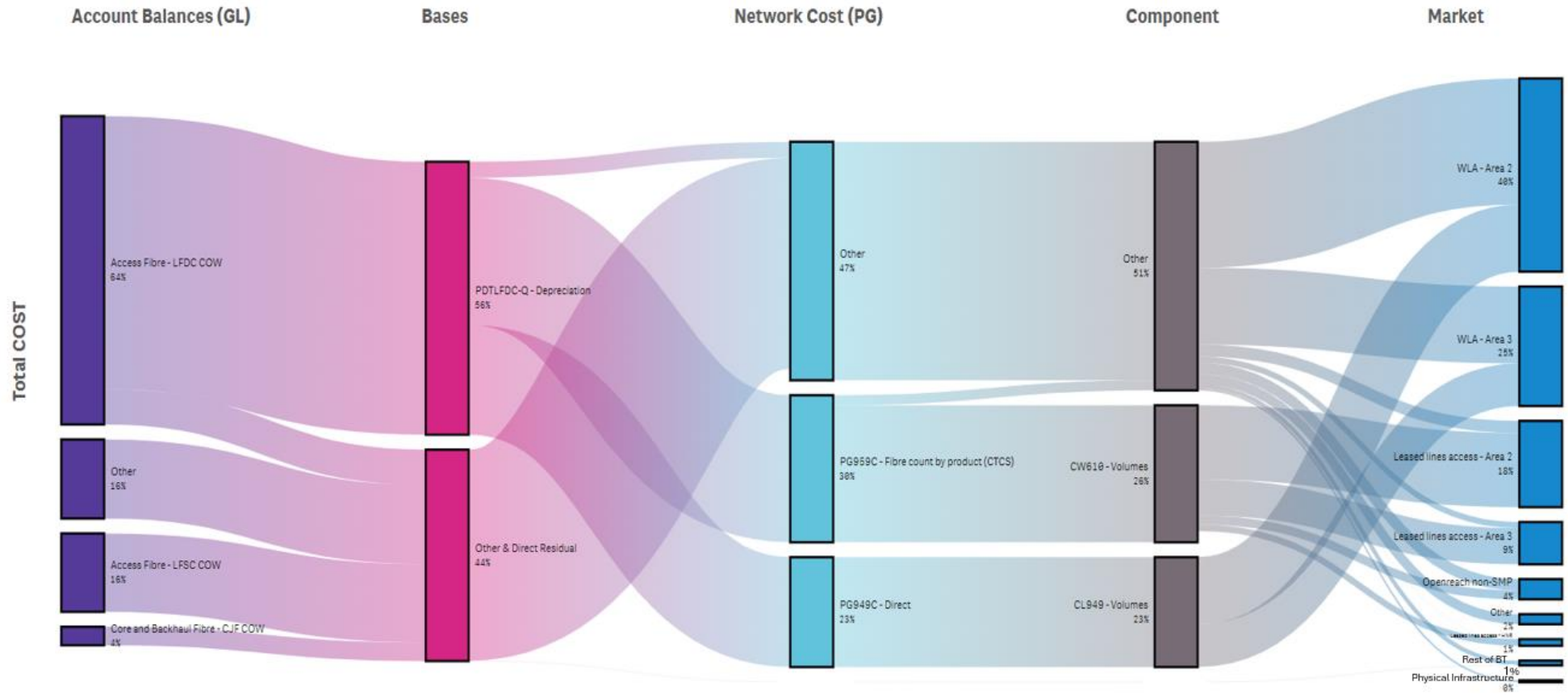
The main classes of work, as shown on the diagram are: For access fibre, LFDC (Local Fibre Distribution Cable) and LFSC (Local Fibre Spine Cable), which relate to the provision, rearrangement and recovery of optical fibre cable, blown fibre tubing, blown fibre bundle, and sub duct in the access fibre network. For Core and Backhaul (interexchange) fibre, CJF (Construction Junction Cable).

Depreciation costs for both backhaul and core fibre are grouped in the GL layer as they are captured within the CJF CoW. These costs are attributed using the PDTCJF-Q base allocating to PG170B (Backhaul Fibre) and to PG350N (Core Fibre) on the basis of the respective length of core and backhaul fibre cables in the network. PG170B is allocated primarily to CO484 (Interexchange fibre). This component is allocated to services within the WLA, IEC and LLA (both regulated and non-regulated) markets.

PG350N (Core Fibre) costs are allocated to a number of network components (circuits) based on how the circuits use the different bearers, driven by Fibre Lengths. 20CN Transmission network fibre lengths are taken from CTCS and 21CN fibre lengths from historic data from Technology.

For Access fibre, the main attribution bases are PTDLFDC-Q (for distribution fibre in the LFDC CoW), PG953C (for GEA DSLAM and Cabinets which is attributed directly), PDLFSC-Q (for spine fibre in the LFSC CoW) and PG990A (for FTTP Funded Fibre Rollout Spend which is attributed directly). Distribution fibre is mainly attributed at the network cost layer into PG949C (for FTTP distribution fibre) and PG959C (for non-FTTP distribution fibre). Spine fibre is mainly attributed at the network cost layer into PG948C (for FTTP Spine fibre) and PG111C (for non-FTTP Spine fibre).

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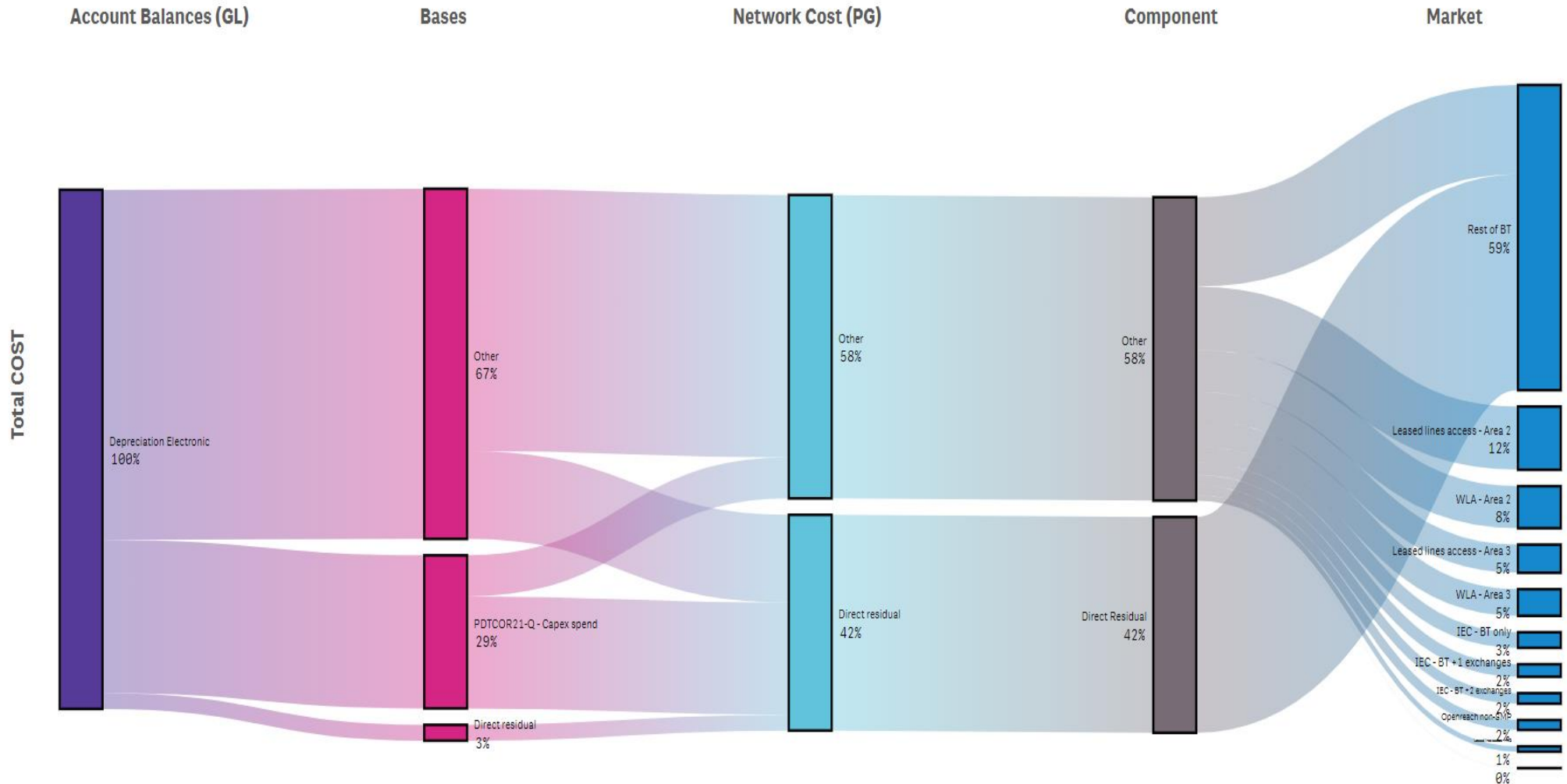


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## 3.2.5 Depreciation – Electronics

This sector contains the Electronics Depreciation values which attributes to the markets. These costs are grouped in the GL layer and primarily attributed to Rest of BT via PDTCOR21-Q: Metro and Core Nodes – All Suppliers, which apportions the historical cost and balance sheet for metro and core node equipment between PGs and PDTIPNCO-Q: IP (Internet Protocol) Networks, based on a more detailed split of depreciation by network elements.

Costs in the SMP markets, mainly Leased Lines access, are allocated by PG467A: EAD Electronics Capital, which allocates private circuits and SMDS depreciation associated with the dedicated equipment for EAD electronics rentals and non-current assets relating to private circuits and SMDS.

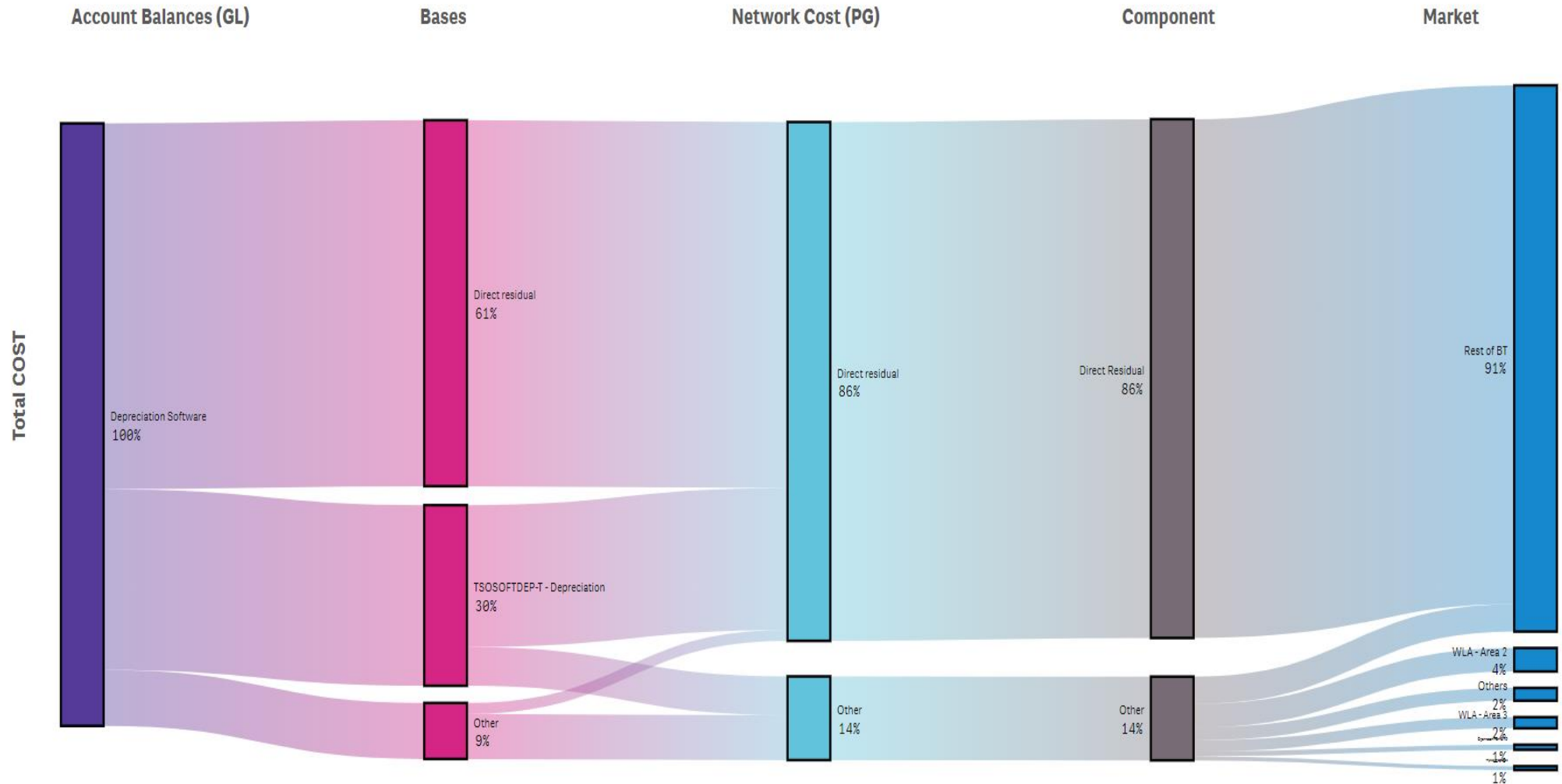




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## 3.2.6 Depreciation – Software

This sector includes the depreciation costs related to software licenses purchased from third parties and the capitalised cost of internally developed software, including the direct and indirect labour costs of development. These depreciation values are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual allocations, TSOSOFTDEP-T: Software Depreciation and SOFTDEP-B: Software Depreciation.

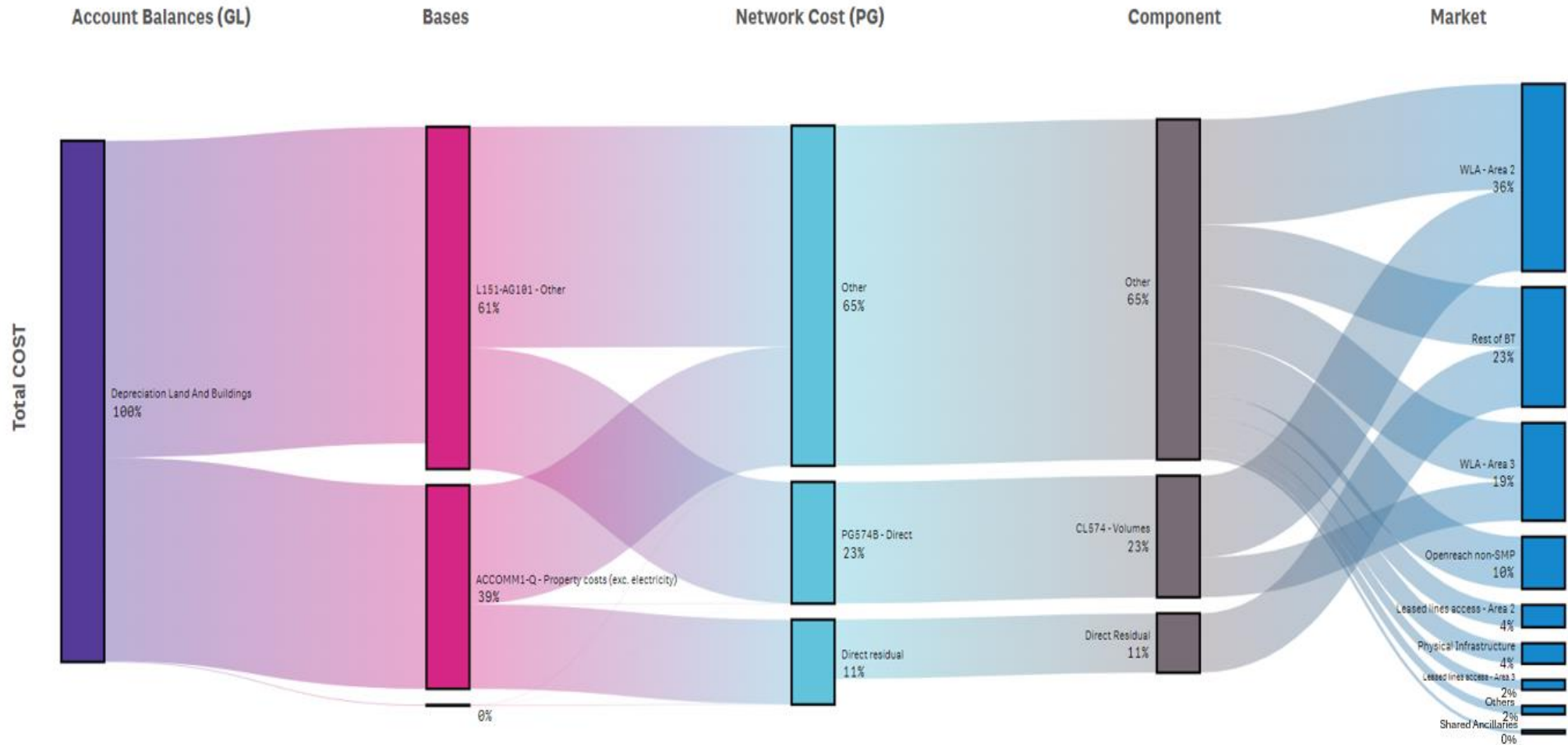


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## 3.2.7 Depreciation - Land and buildings

These costs are grouped in the GL layer and are primarily allocated by AG101: Motor Transport and ACCOMM1-Q: Accommodation (exc electricity). These bases attribute the depreciation costs onto a number of PGs and components, on to services within the Openreach and Rest of BT SMP markets. A portion of these costs are also allocated directly to Rest of BT via Direct residual.

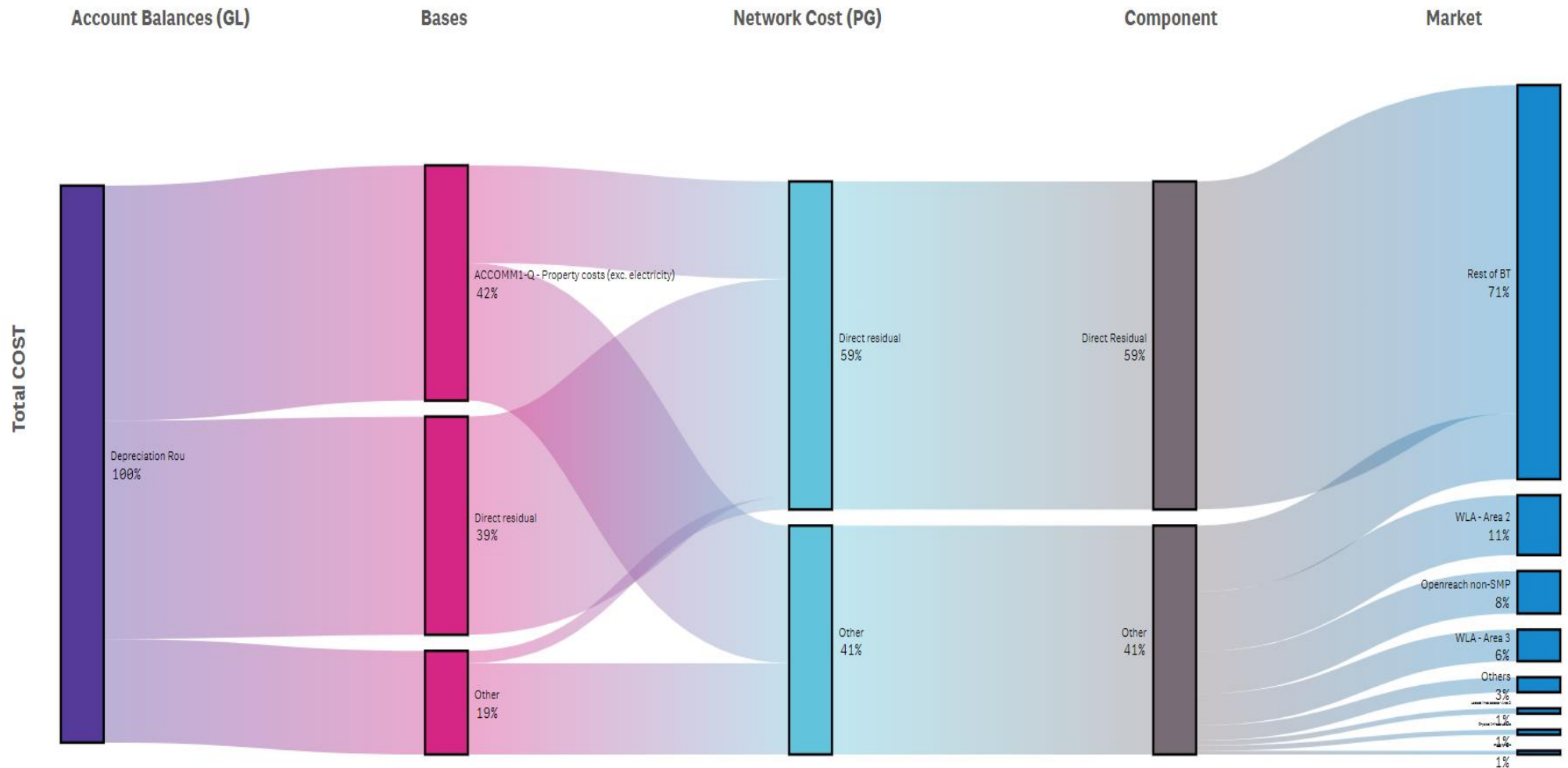
Within the Bases layer we have grouped the Direct Residual allocation with the L151-AG101 base, due to negative balances present within Direct Residual. This does not impact SMP market allocations as the allocation pathway maps to Rest of BT for both bases.



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## 3.2.8 Depreciation - Right of use assets

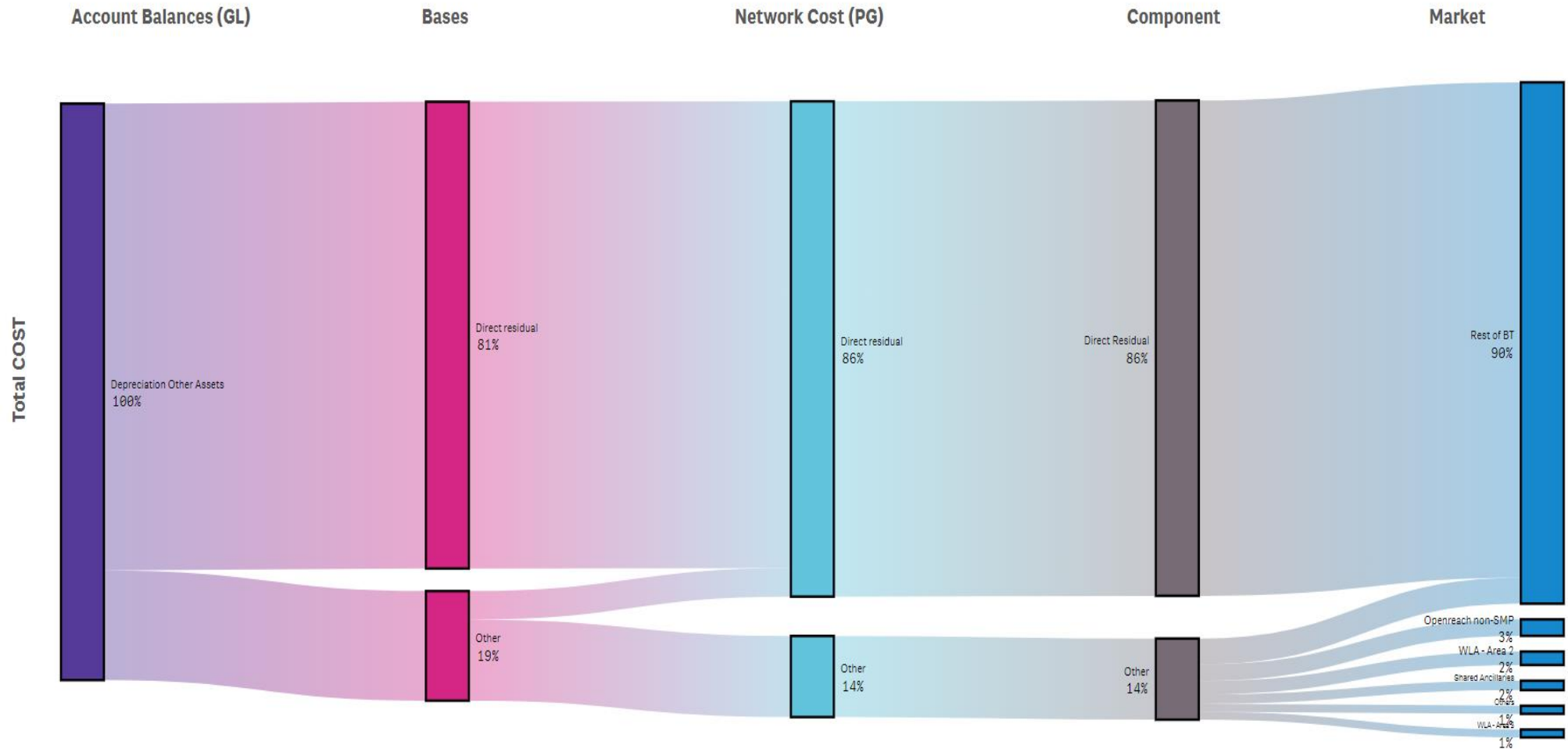
These costs are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual and ACCOMM1-Q: Accommodation, where the attribution methodology is classified as property and Insurance and driven by Property Costs (ex. Electricity). A small proportion of these costs are attributed to WLA, via ACCOMM1-Q and Other at the Base layer.



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## 3.2.9 Depreciation - Other assets

These costs are grouped in the GL layer and predominantly allocate directly to Rest of BT via Direct residual allocations. A portion of costs are also apportioned via PANDAL-Q: Power and Accommodation which apportions maintenance and non-maintenance costs relating to BT's Network Operation Buildings including power, heating, ventilation, air conditioning, general environmental control and associated depreciation and other balance sheet charges, based on BT technology network equipment volumes, their respective power consumption and the electricity unit rate.

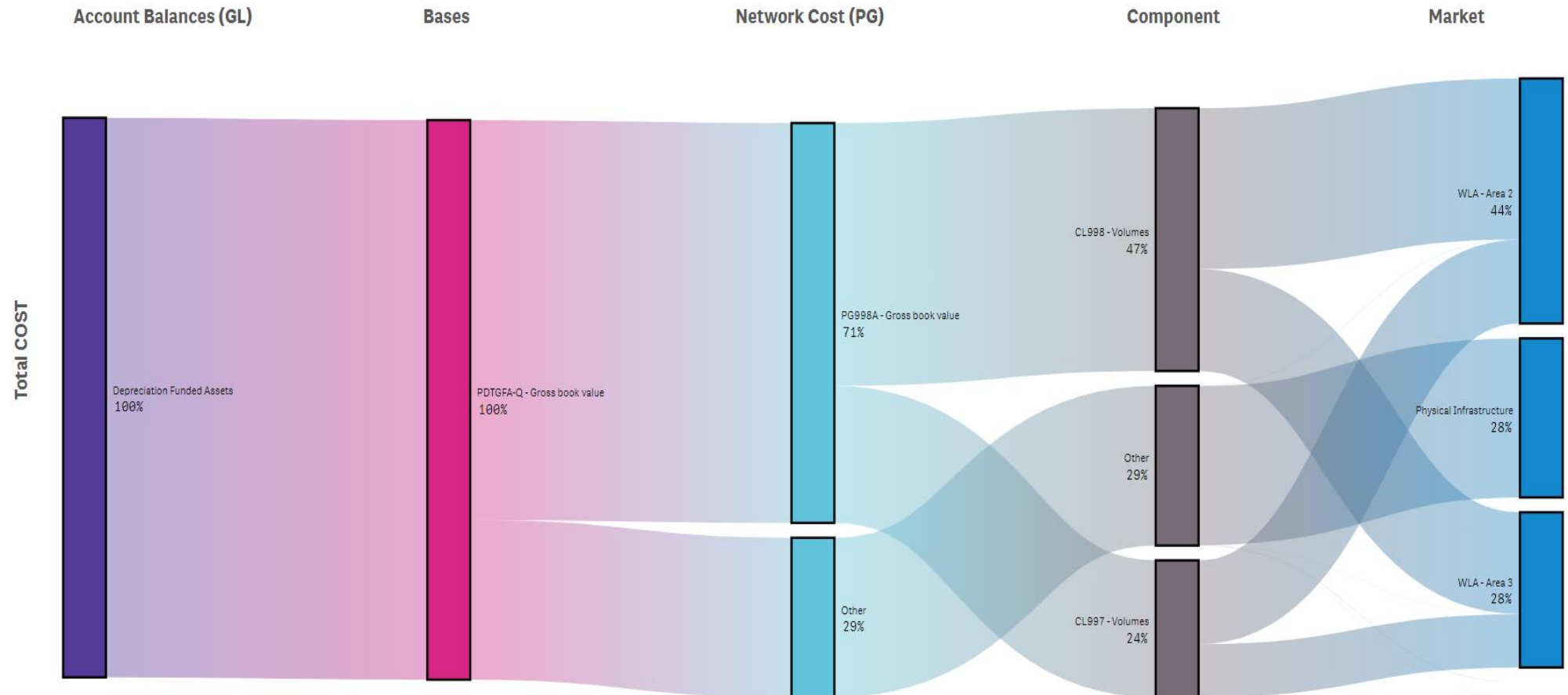


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## 3.2.10 Depreciation - Funded assets

These costs are grouped in the GL layer and attributed to PDTGFA-Q: Grant Funded Assets which apportions costs relating to grant funded assets based on the proportion of the MCE that relates to duct and pole assets. This base is mostly attributed to PG998A: Fibre Rollout Funding where costs are apportioned by grant funding balance sheet values between FTTP and FTTC based on the GBV split of the assets funded by these grants. Finally, CL998 (for assets related with BT's fibre rollout for FTTC services) and CL997 (for assets related with BT's fibre rollout for FTTP services) are allocated primarily to WLA markets.

Other component includes CZ313: Spine Duct 1 Internal: 10.7%, CZ317: Joint Boxes Internal: 4.2%, CZ315: Spine Duct 3+ Internal: 3.6%, CZ316: Manholes Internal: 3.4%, CZ318: Lead ins Internal: 2.8%, and CZ314: Spine Duct 2 Internal: 2.7%, all other costs were less than 1%.



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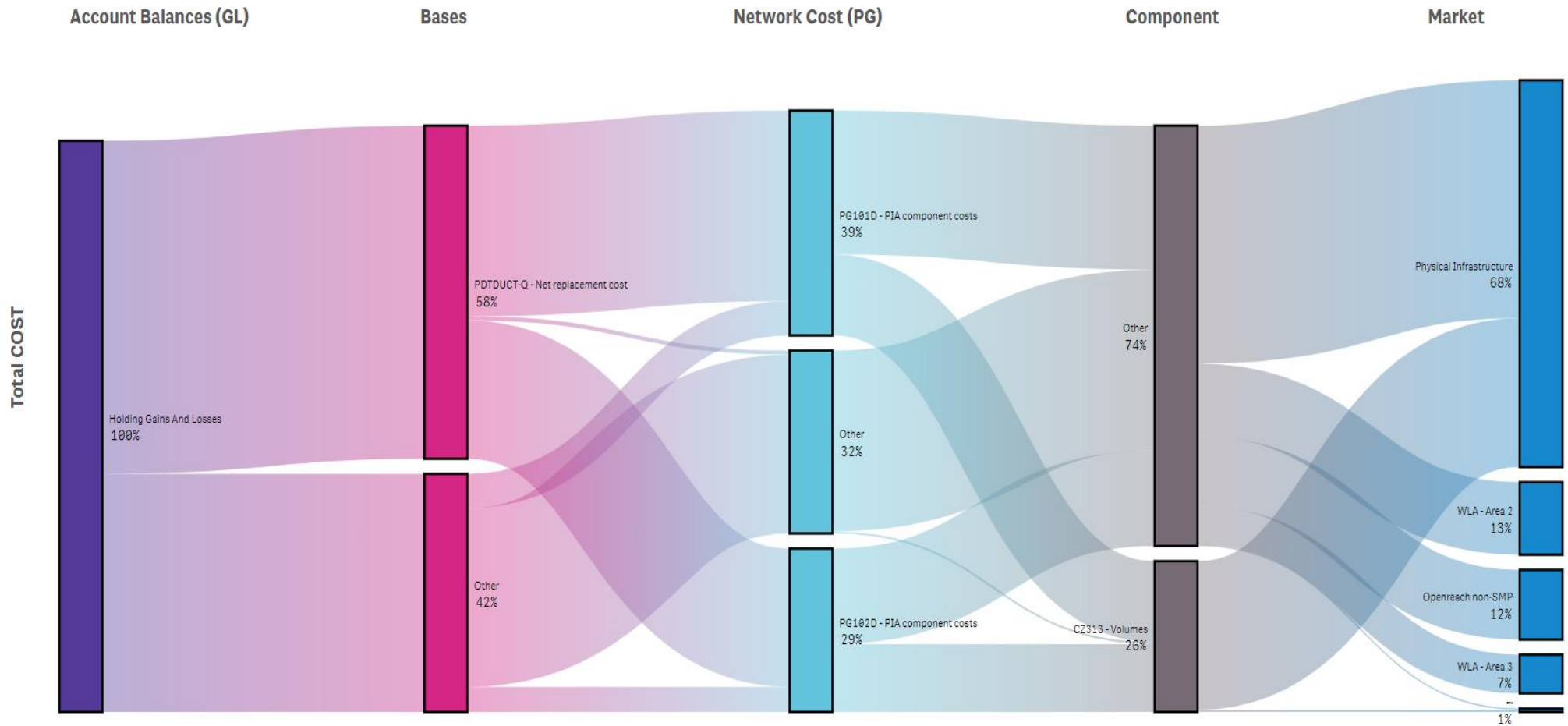
## 3.3 Current Cost Accounting (CCA) Adjustments

This section displays the CCA adjustments applied to non-current assets within the RFS. See section 7 of the AMD for further details on CCA Policies.

### 3.3.1 Holding gains and losses

Holding gains and losses represent the adjustments resulting from revaluing assets from historical cost accounting (HCA) to current cost accounting (CCA) basis.

These costs are grouped in the GL layer and are primarily following the same allocation logic as the asset which was revalued. Therefore for duct related asset costs, these are attributed to PDTDUCT-Q: Duct, PG101D: Duct Infrastructure (Pre March 2018) and PG102D: Duct Infrastructure (Post March 2018) which then allocates to several components, including CZ313: Spine Duct which allocates to Physical Infrastructure market.



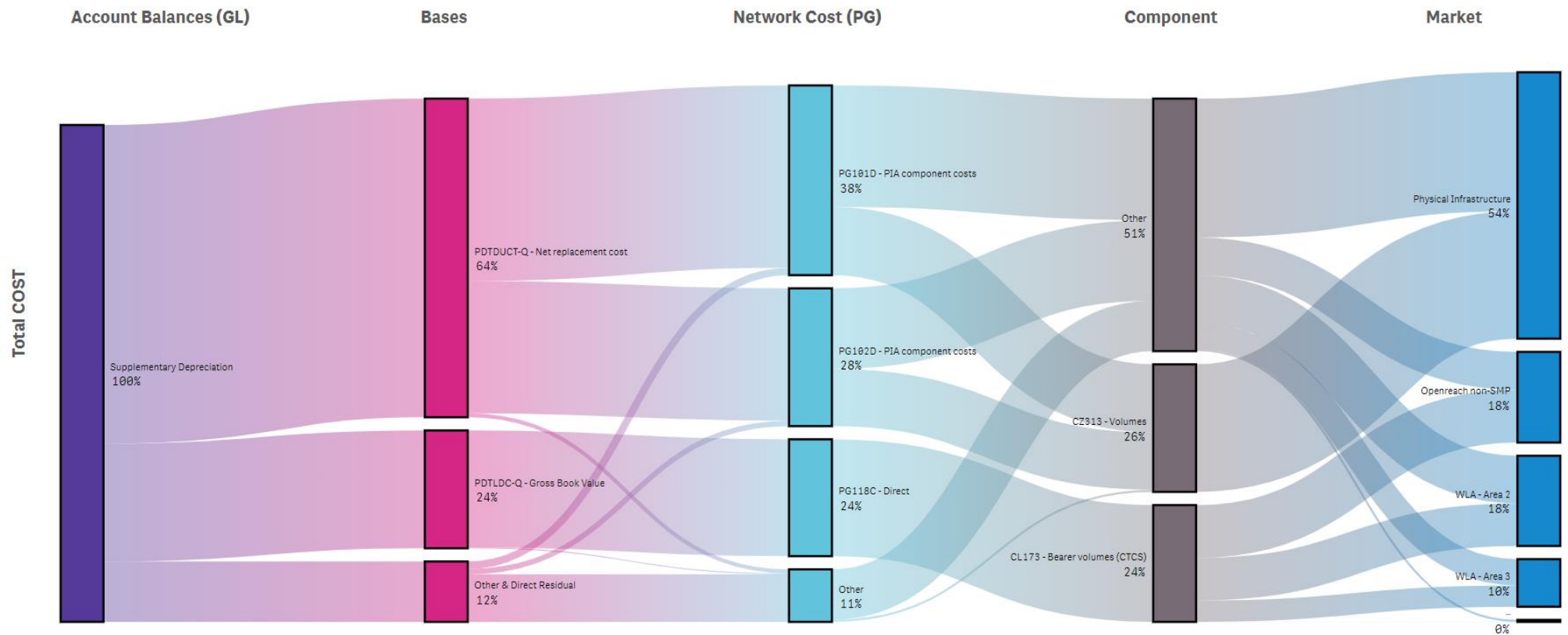
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## 3.3.2 Supplementary depreciation

Supplementary depreciation results from the additional depreciation as a result of the higher asset base following CCA valuation.

These costs are grouped in the GL layer and predominantly follow the same allocation logic as the depreciation of the revalued assets. The key bases are PDTDUCT-Q: Duct, PDTLDC-Q: Local Distribution Cable (LDC) Construction and PDTEPD-B: Expedites, which continue their allocation predominantly at network cost layer on PG101D: Duct Infrastructure (Pre March 2018), PG102D: Duct Infrastructure (Post March 2018), PG118C: D-Side Copper Cable and PG149A: Analogue Line Final Drop respectively. On component layer the biggest costs are going through CZ313: Spine Duct, CL173: D side copper capital, CL178: Dropwire capital and analogue NTE.

PDTLMC-Q Exchange Side Cables' value is 12.4% however it is disclosed within Others to avoid negative balances on the chart.



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### 3.3.3 Other CCA Adjustments

Under the Current Cost Accounting (CCA) convention, asset values are adjusted to reflect their value to the business, usually equivalent to their net replacement cost (NRC). Other differences between CCA and HCA transactions are reported as 'other CCA adjustments' e.g. under CCA accounting the value of disposals and write-offs reflect their revalued NRC. We allocate CCA adjustments to the income statement and balance sheet to Markets using the same principles and processes as we use for allocating the historical costs for the same assets. The valuation types associated with CCA, along with the different ways in which we employ them, are explained in Section seven in the AMD. We have not created an attribution diagram for this reporting sector as there are significant negative balances which cannot be shown in the diagram.



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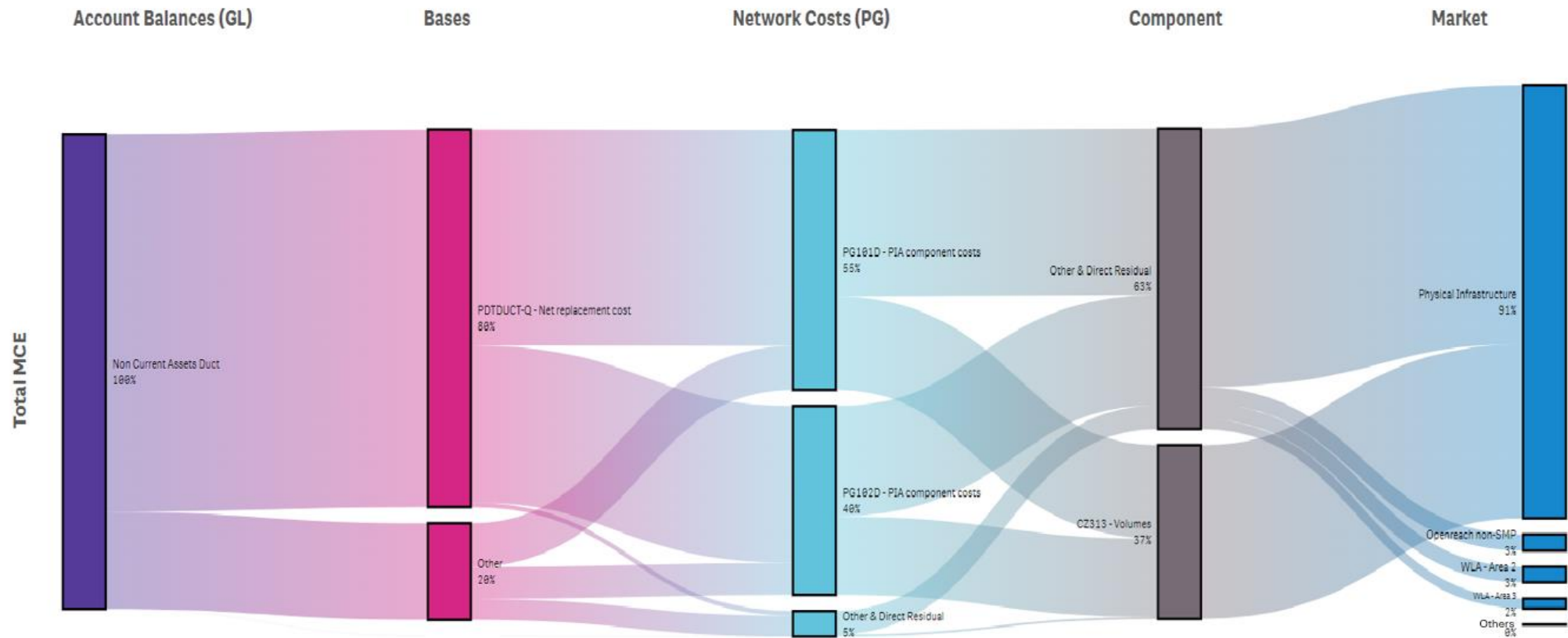
## 3.4 Mean Capital Employed

The sectors reported in the RFS 'Attribution of MCE' schedules, along with the key methodology drivers of these sectors, are outlined below. The MCE within these categories follow methodologies set out within Part two of the AMD.

### 3.4.1 Mean capital employed – Duct

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

These MCE balances are grouped in the GL layer and predominantly attributed to PDTDUCT-Q: Duct and PDTDUCT1- Q: Duct base which are both categorised as asset metric methodologies, driven by net replacement costs, on to PG101D: Duct Infrastructure (Pre March 2018) and PG102D: Duct Infrastructure (Post March 2018). These PGs (PG101D & PG102D) are an asset metric methodology driven by PIA component costs and apportion MCE to various components which are driven by volumes and onto services predominantly within the Physical Infrastructure market.

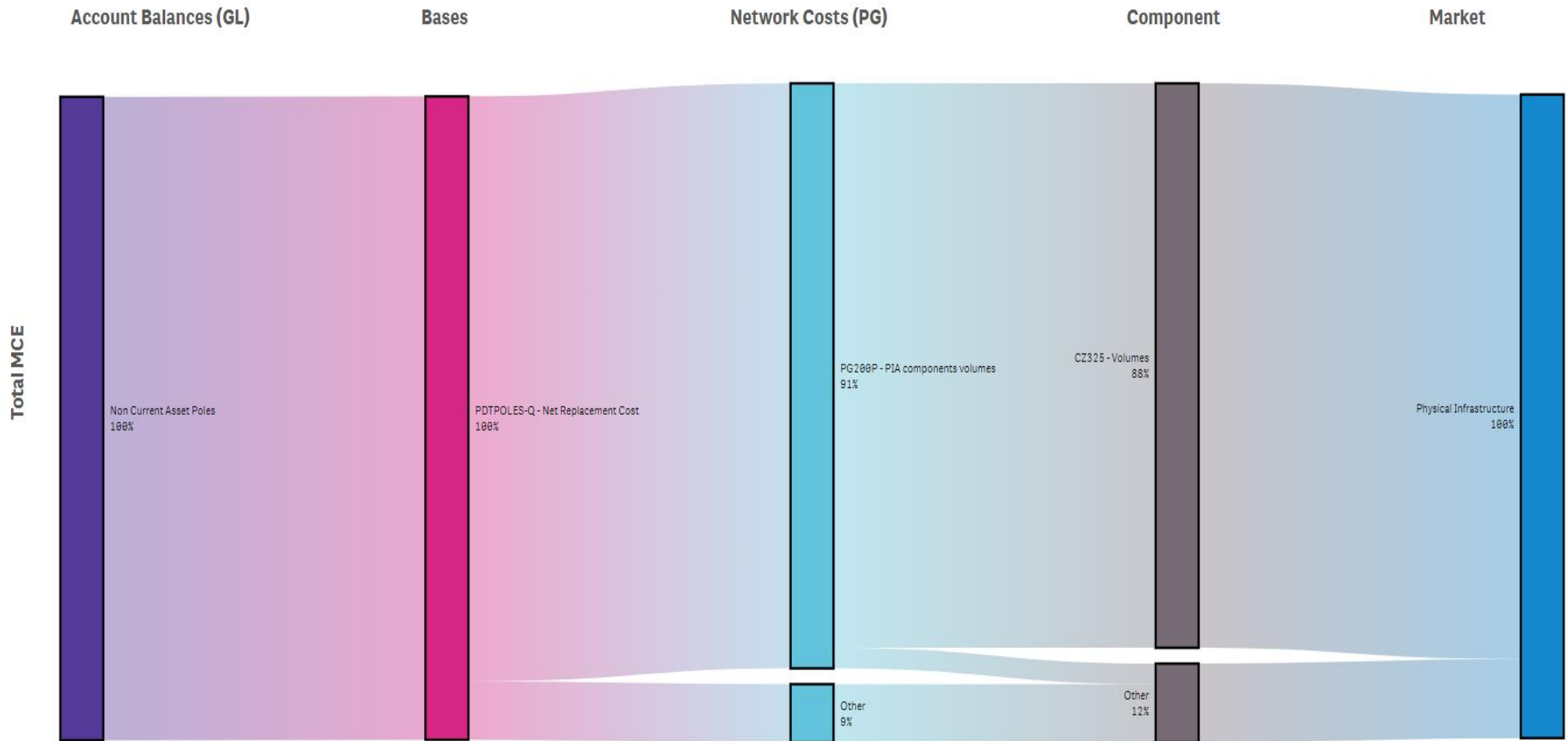


# Appendix 3: Attribution diagrams

## 3.4.2 Mean capital employed – Poles

This sector contains the MCE values for poles, including multi and single user attachments, pole top equipment and cabling.

These MCE balances are grouped in the GL layer and attributed to Physical Infrastructure via PDTPOLES-Q on base layer with the majority of the allocation onto PG200P: Poles Capex in Network costs layer, where the key attribution methodology is classified as an asset metrics methodology which is driven by PIA Components Volumes. The main component is CZ325: Poles Internal which allocates the downstream cost of telegraph poles which are used as distribution points to end users and is driven by volumes.



# Appendix 3: Attribution diagrams

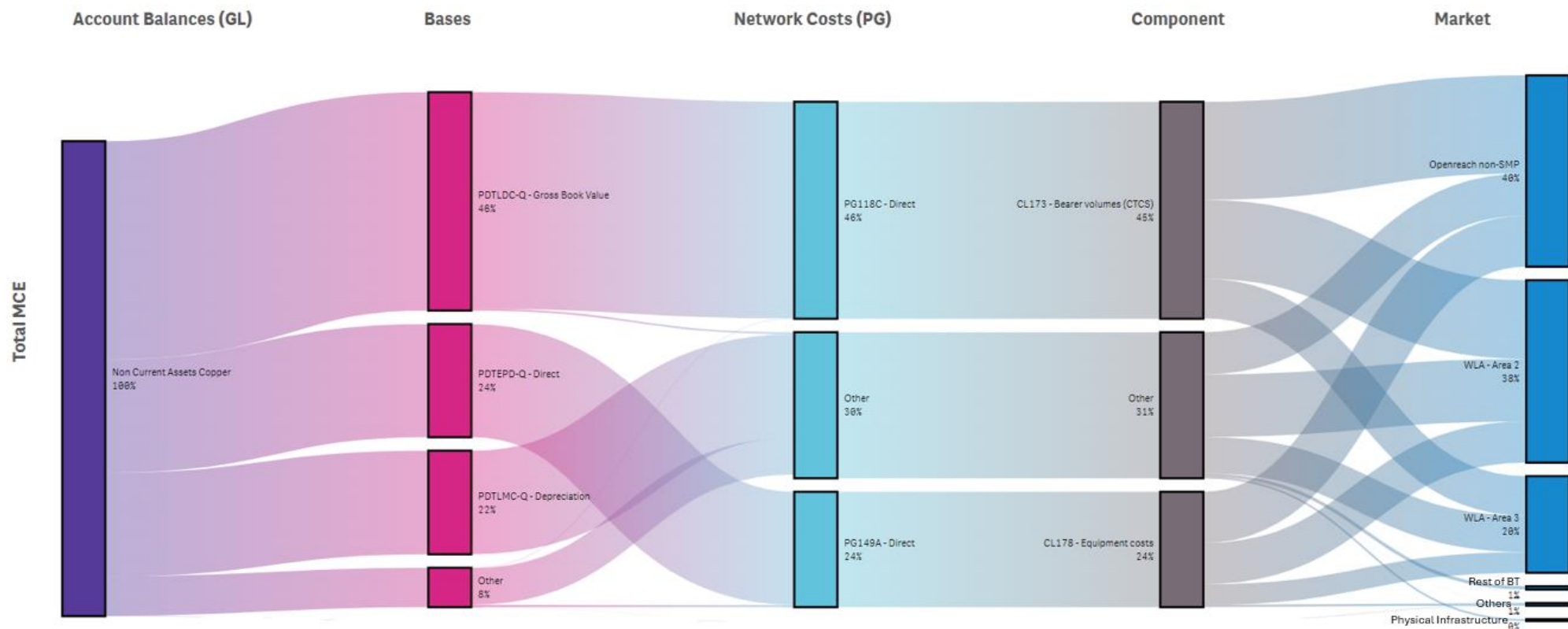
## 3.4.3 Mean capital employed – Copper

This sector contains the MCE values for copper, which includes copper cables in the access network, as well as all other necessary equipment required to carry signals between the user and the exchange. These MCE balances are grouped in the GL layer and are predominantly attributed via bases PDTEPD-Q: Expedites, PDTLDC-Q: Local Distribution Cable (LDC) Construction, and PDTLMC-Q: Exchange Side Cables.

PDTEPD-Q allocates directly to PG149A: Analogue Line Final Drop, directly allocating to CL178: Equipment costs which then is also allocated to Openreach non-SMP markets, WLA markets.

PDTLDC-Q allocates MCE predominantly to PG118C, which allocates directly to CL173 (Bearer volumes (CTCS)) this then allocates to Openreach non-SMP markets and WLA markets.

PDTLMC-Q allocates mainly to PG117C: E-Side Copper Cable which allocates directly to CL171: Bearer volumes (CTCS), allocating predominantly to Openreach non-SMP markets and WLA markets.



## Appendix 3: Attribution diagrams

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### 3.4.4 Mean capital employed – Fibre

This sector contains the MCE values for fibre which includes:

- Access fibre: the spine and distribution cables, as well as all other necessary equipment required to connect the end-user and the exchange;
- Backhaul fibre: the fibre required for inter-exchange connectivity; and
- Core fibre: the fibre required for high capacity data transfer between primary nodes in the network.

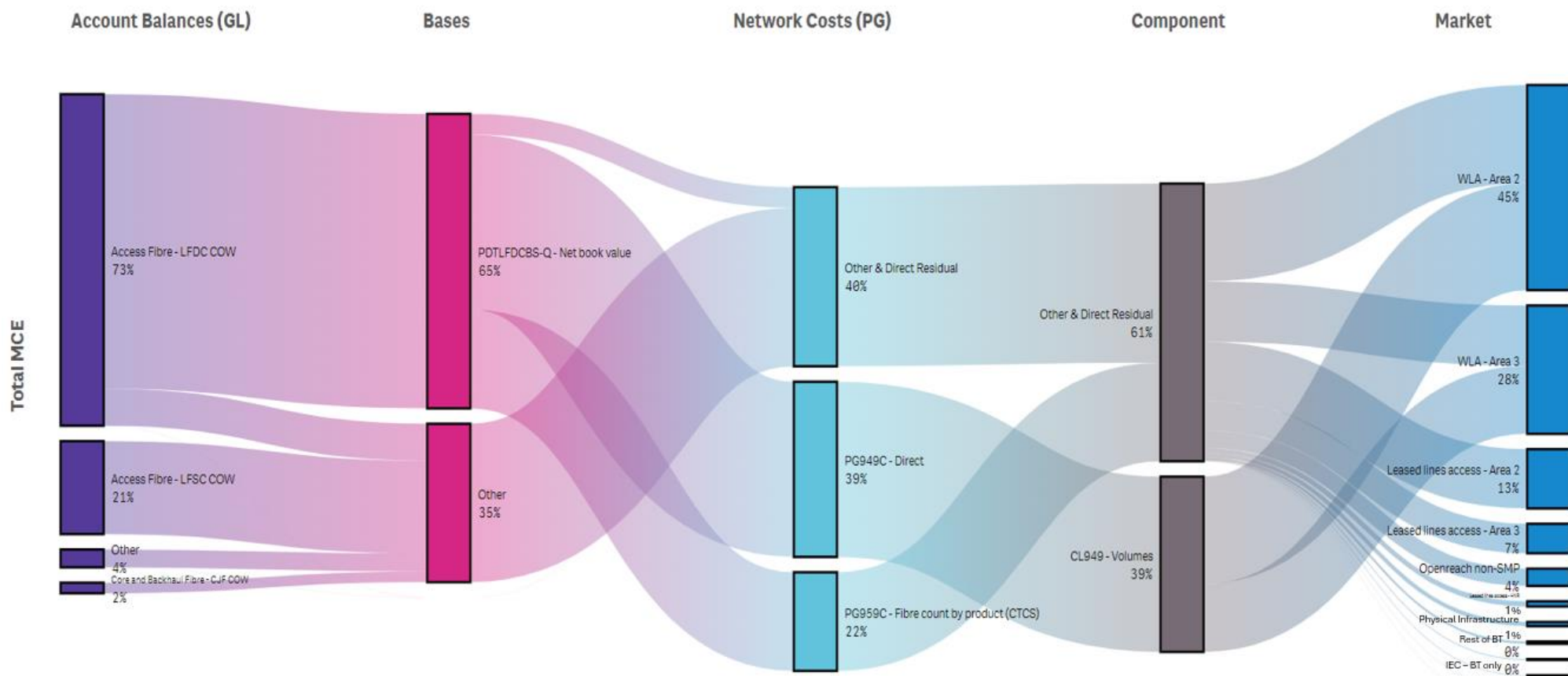
The main classes of work, as shown on the diagram, are: CJF - Construction Junction Cable - Optical Fibre, which relates to Core and Backhaul (inter-exchange) fibre. Other classes of work relate to Access fibre: LFDC and LFSC - Construction of Local Line Optical Fibre Spine and Distribution Cable such as the provision, re-arrangement and recovery of optical fibre cable, blown fibre tubing, blown fibre bundle, and sub duct in the access fibre network. The bulk of the fibre in the network is concentrated in the access network (from the exchange to the end customer).

MCE values for both backhaul and core fibre are grouped in the GL layer as they are captured within the CJF CoW. These MCE values are attributed using the PDTCJF-Q base to PG170B (Backhaul Fibre) and PG350N (Core Fibre) on the basis of the respective length of core and backhaul fibre cables in the network. PG170B is allocated primarily to CO484 (Interexchange fibre), a component that has been created in FY22 as a result of the requirements of the WFTMR. This component is allocated to services within the WLA, IEC and LLA (both regulated and non-regulated) markets.

PG350N (Core Fibre) MCE is allocated to a number of network components (circuits) based on how the circuits use the different bearers, driven by Fibre Lengths. 20CN Transmission network fibre lengths are taken from CTCS and 21CN fibre lengths from historic data from Technology.

For Access fibre, the main attribution bases are PDLFDCBS-Q and PDLFDCB6-B6 (for distribution fibre in the LFDC CoW), PG953C (for GEA DSLAM and Cabinets which is attributed directly), PDLFSC-Q (for spine fibre in the LFSC CoW). Distribution fibre (PDLFDCBS-Q: Local Fibre Distribution Cable and PDLFDCB6-B6: Local Line Optical Fibre Distribution Cable) is attributed mainly to PG949C (for FTTP distribution fibre), PG959C (for non-FTTP distribution fibre) and PG990A (FTTP Funded Fibre Rollout Spend). Spine fibre is predominantly attributed to PG948C (for FTTP Spine fibre) and PG111C (for non-FTTP Spine fibre).

# Appendix 3: Attribution diagrams

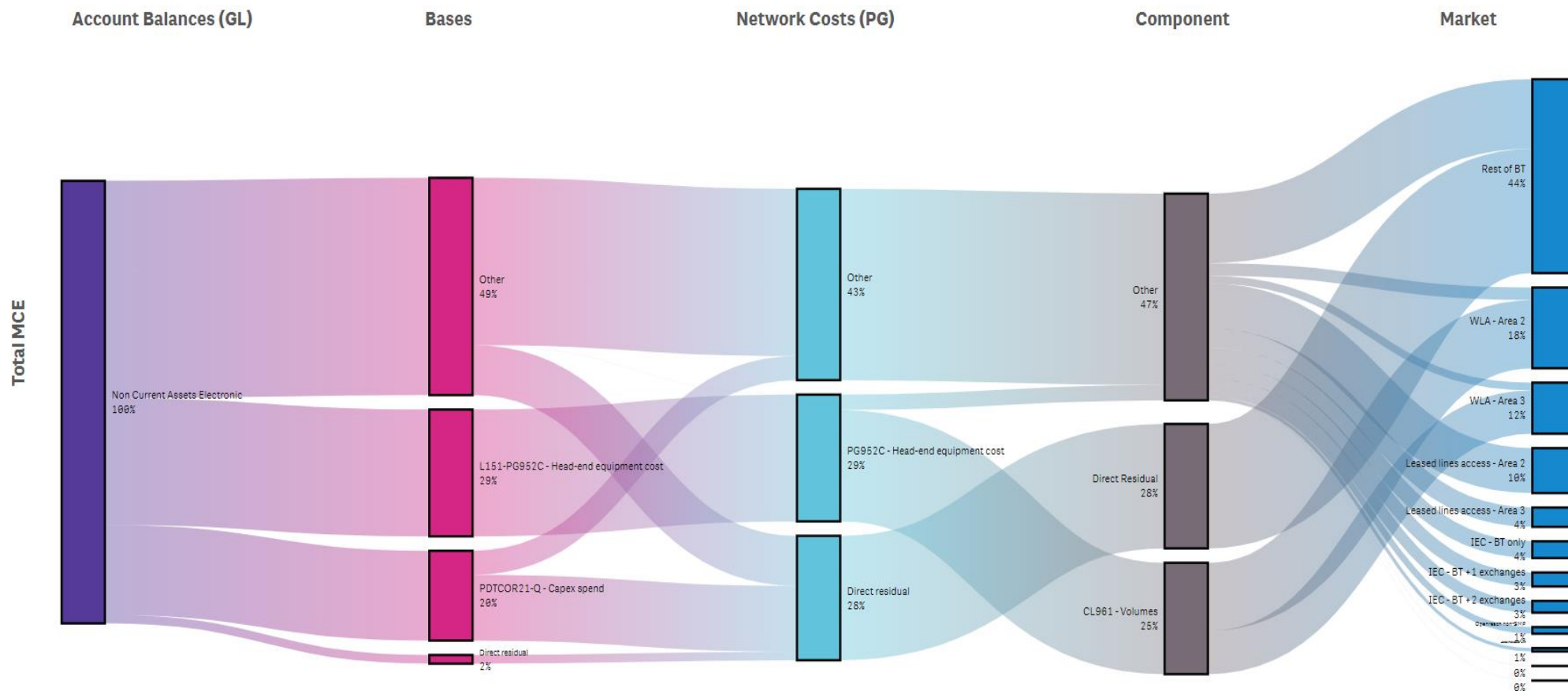


# Appendix 3: Attribution diagrams

## 3.4.5 Mean capital employed – Electronics

This sector contains the MCE values for electronics, assets associated with switching for 21CN voice, ethernet and broadband traffic, also assets to support Fibre To The Cabinet (FTTC) and Fibre To The Premises (FTTP) and IP Network Capital.

These MCE values are grouped in the GL layer and primarily attributed to across Openreach and Rest of BT via several apportionment bases, including PDTCOR21-Q (for metro and core node equipment), PDTIPNCO-Q (equipment supporting IP networks) and PDTWDM21-Q (for the transmission equipment of the WDMSAN chains, the METRO – CORE and CORE – CORE transmission electronic equipment). The MCE gets apportioned to various Plant Groups, mainly PG952C: GEA Electronics which is allocated between FTTC and FTTP based on equipment counts for the different technologies, PG881A: CAPEX for the deployment of the BRAS and PG467A for private circuits and SMDS. Finally the electronics costs are apportioned to several components, including CL961: costs of the exchange based electronics required for the delivery of FTTP Services and CL952: costs of the exchange based electronics required for the delivery of FTTC Services which allocate into WLA markets.



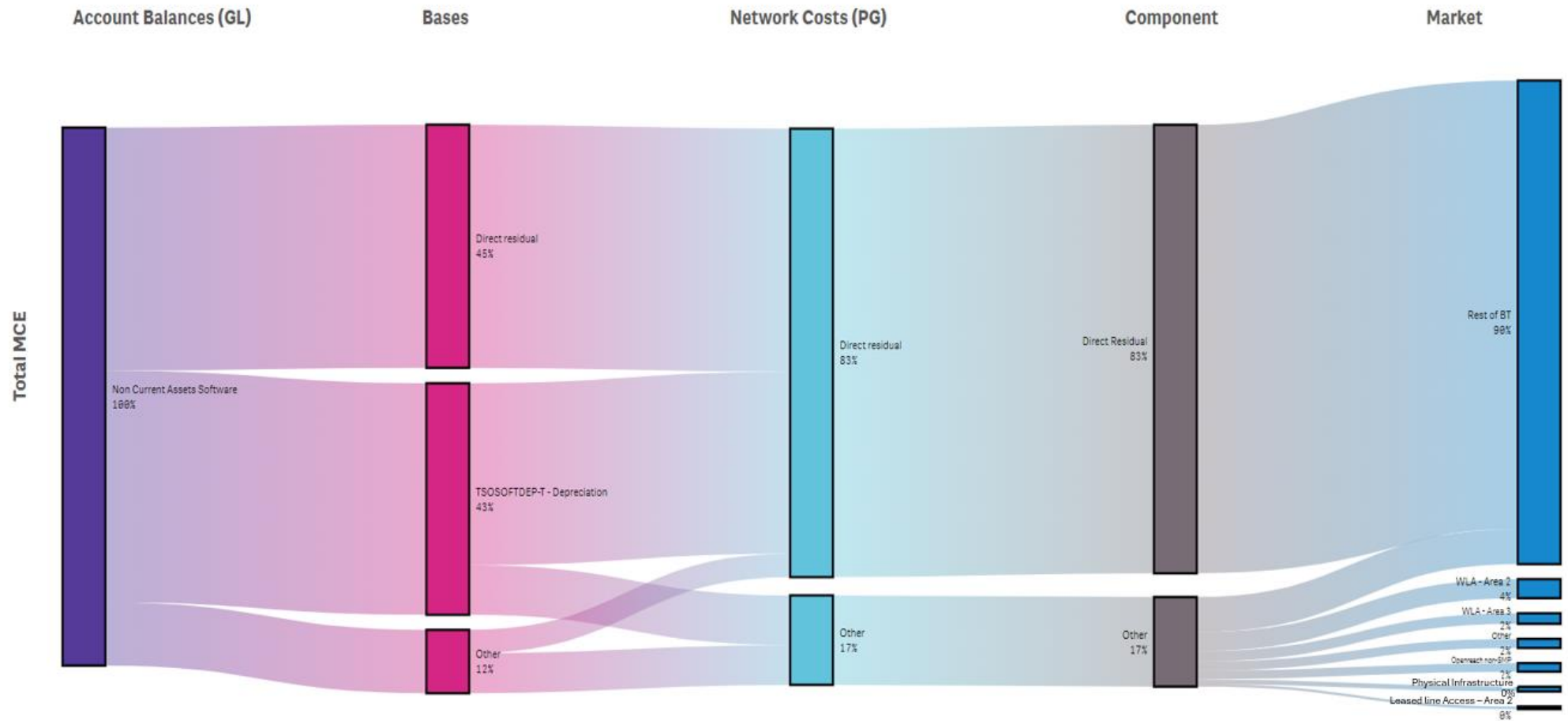
# Appendix 3: Attribution diagrams

## 3.4.6 Mean capital employed – Software

Software includes licenses purchased from third parties and the capitalised cost of internally developed software, including the direct and indirect labour costs of development.

These MCE values are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual and TSOSOFTDEP-T: Software Depreciation where the key attribution methodology is classified as asset metric and is driven by depreciation. A small proportion of these MCE values are also attributed to WLA markets, also predominantly via TSOSOFTDEP-T however each attributing object is less than five percent of the total MCE attributed.

Other network cost includes PG901A: Ethernet Switches: 5.42%, all other costs were less than 1%. All other Components were less than 1%.

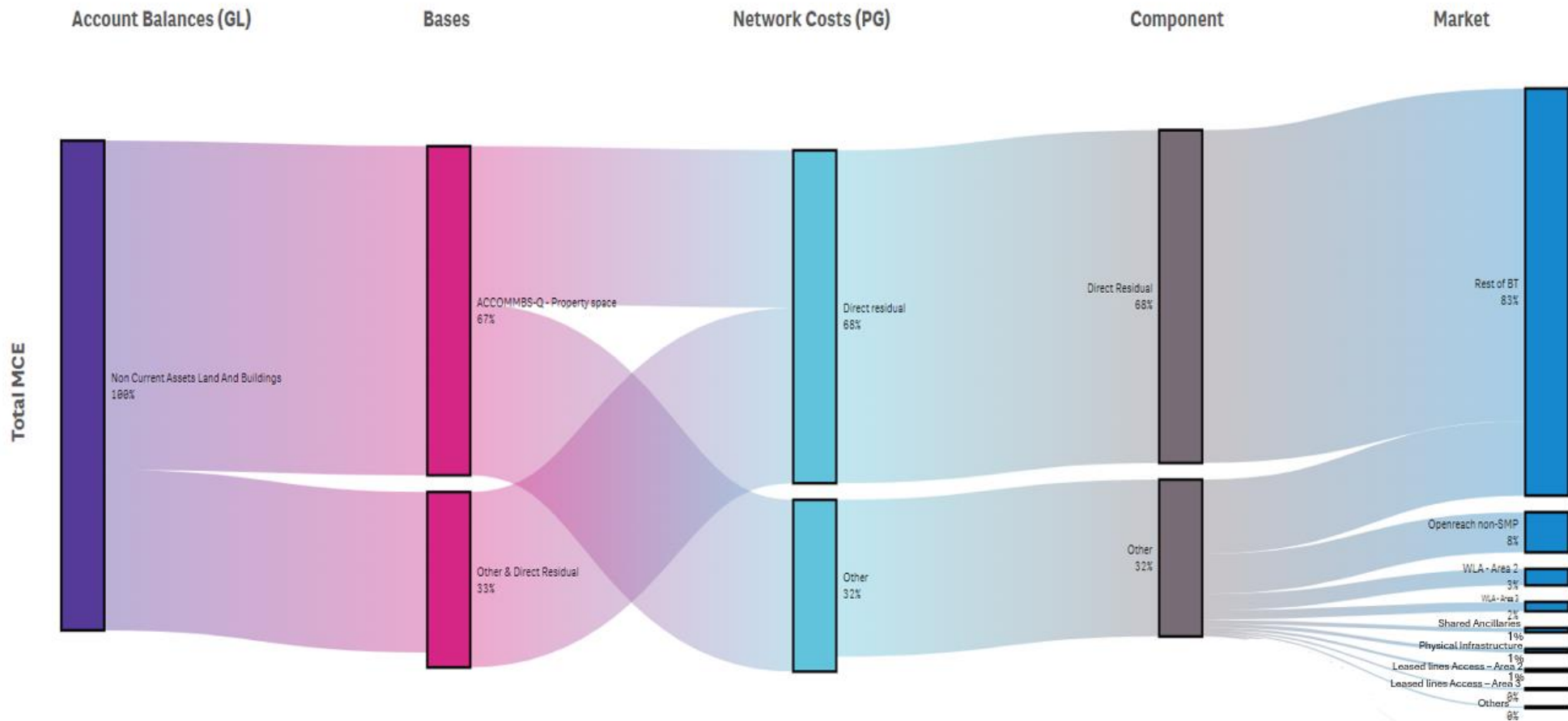


# Appendix 3: Attribution diagrams

## 3.4.7 Mean capital employed - Land and building

This sector contains the land and buildings MCE values, including BT owned corporate offices and network buildings, that are freehold, long leases and short leases. Asset values are mainly apportioned based on the use of floor space.

These MCE values are grouped in the GL layer and predominantly attributed to Rest of BT via ACCOMMBS-Q: Accommodation, which apports MCE driven by property space. Other network cost includes PG399T: PDH Traffic Grooming: 2.75%, PG952C GEA electronics 1.7% Other component includes CO325 Remote – local transmission link 2.21% and CO212 Local exchange processor setup 1.81%.



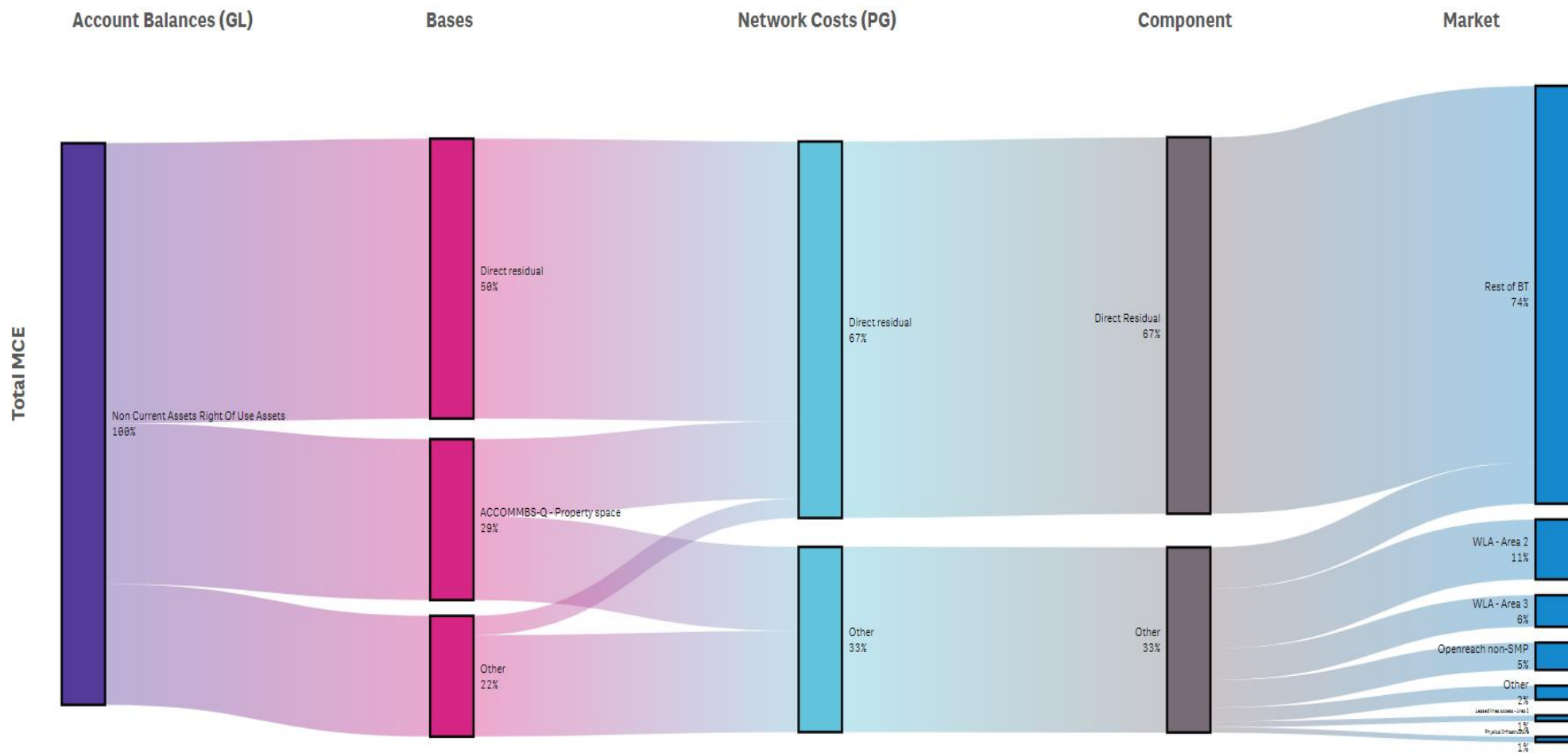


# Appendix 3: Attribution diagrams

## 3.4.8 Mean capital employed - Right of use assets

Assets are recognised in respect of the group's right to use the underlying assets in lease arrangements. These assets are predominantly our leased property portfolio (office, retail and exchange estate), network infrastructure (mainly mobile and switch sites) and motor vehicles. These MCE balances are grouped in the GL layer and primarily attributed to Rest of BT via Direct Residual allocations and ACCOMMBS-Q: Accommodation, which apportions MCE for both BT owned and non-BT owned buildings between the four Property Activity Groups. The allocation is based on detailed building space reports. A small proportion of MCE is attributed to services within the Openreach SMP markets through PG574B: OR Service Centre Provision NGA directly allocated to CL574: OR Service Centre - Provision GEA.

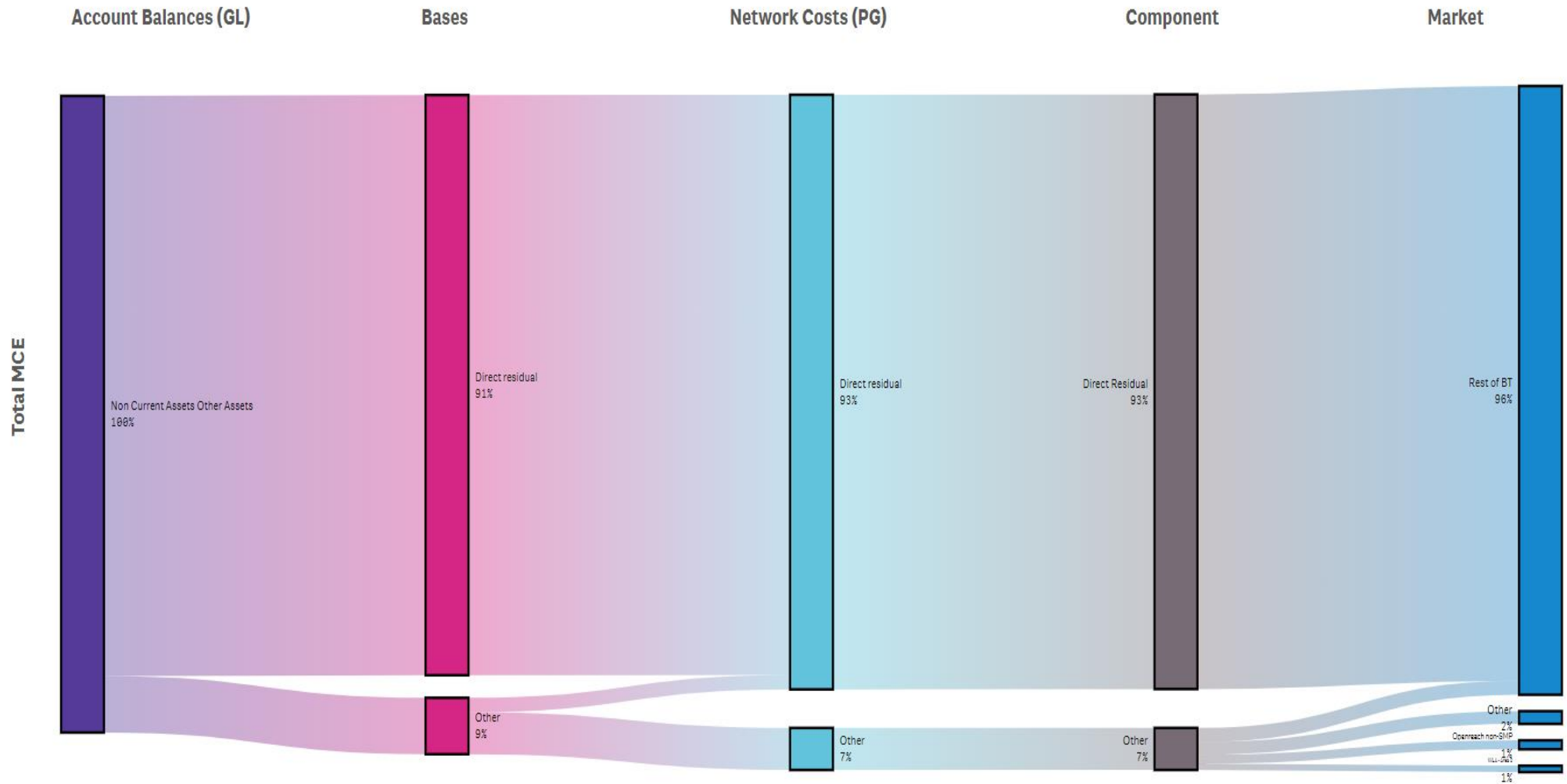
Other network costs include PG574B OR Service centre Provision NGA: 5.93% and PG949C GEA FTTP Distribution Fibre 2.74%. Other components include CL574: OR service Centre Provision GEA 5.93% and CL949 One fibre network – distribution fibre 2.74%.



# Appendix 3: Attribution diagrams

## 3.4.9 Mean capital employed - Other assets

This sector contains the MCE values for a range of assets used by BT including categories such as Motor Transport. The key drivers are surveys, engineering models and direct mapping of CoW to network components and then onto the appropriate service based on usage factors and actual service volumes. These MCE balances are grouped in the GL layer and are primarily allocated directly to Rest of BT via Direct Residual allocations. A small proportion of MCE is attributed to services within the Openreach SMP and non-SMP markets; however each attributing object represents less than five percent of the total other assets MCE.

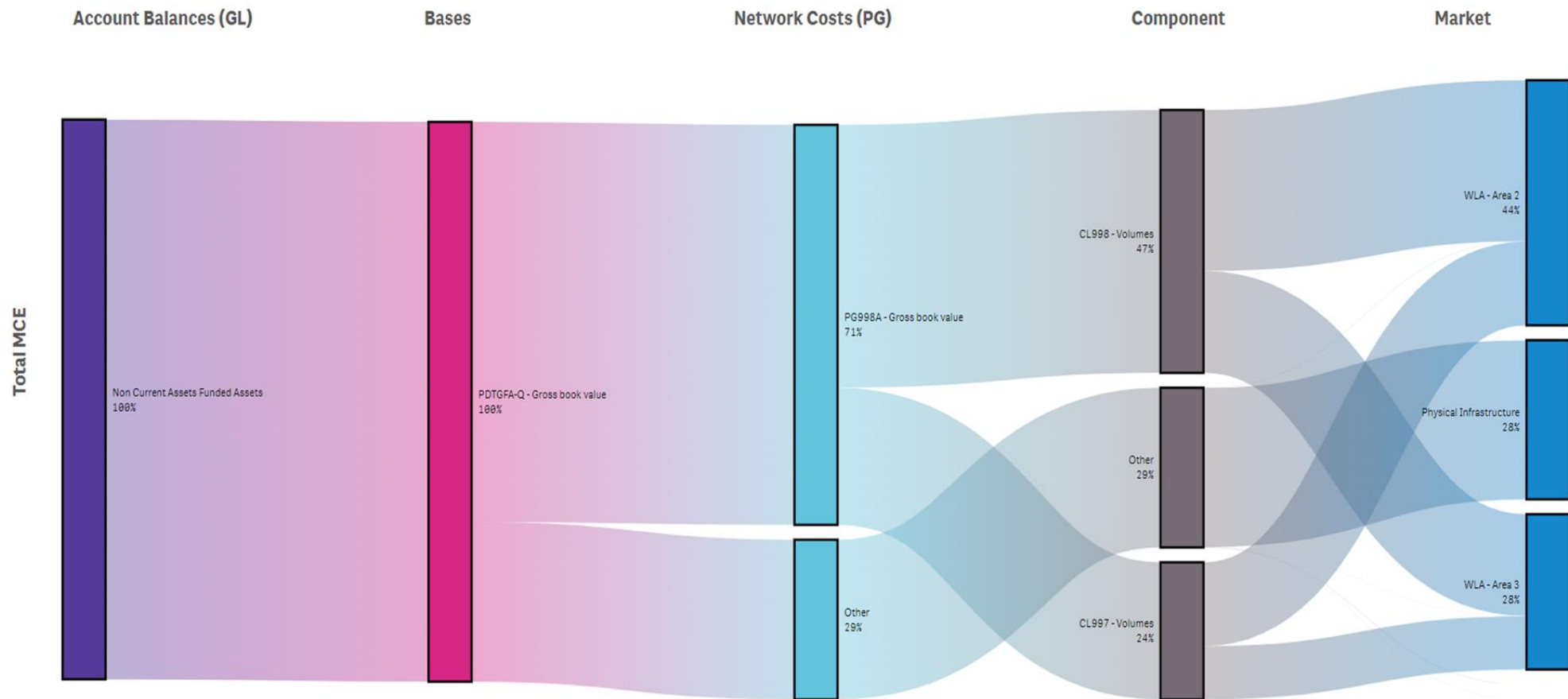


# Appendix 3: Attribution diagrams

## 3.4.10 Mean capital employed - Funded assets (BDUK, etc.)

Government grant funding is received in relation to eligible capex spend that has been incurred and relates to grant funded assets received from a local or regional authority, or from a devolved government body (e.g. Broadband Delivery UK (BDUK) grant funding received from the Department of Culture Media and Sport; and European Regional Development Fund (ERDF) grants).

These MCE values are grouped in the GL layer and attributed to PDTGFA-Q: Grant Funded Assets which apportions MCE relating to grant funded assets based on the proportion of the MCE that relates to duct and pole assets. The duct and pole portion get split between PG102D: Duct Infrastructure (Post March 2018) and PG101D: Duct Infrastructure (Pre March 2018), which allocate to Physical Infrastructure market. The fibre portion allocates through PG998A: Fibre Rollout Funding that apportions grant funding balance sheet values between FTTP and FTTC based on the GBV split of the assets funded by these grants. PG to component allocation happens mostly through CL998 (for assets related to BT's fibre rollout for FTTC services) and CL997 (for assets related to BT's fibre rollout for FTTP services) which then gets allocated to WLA markets.



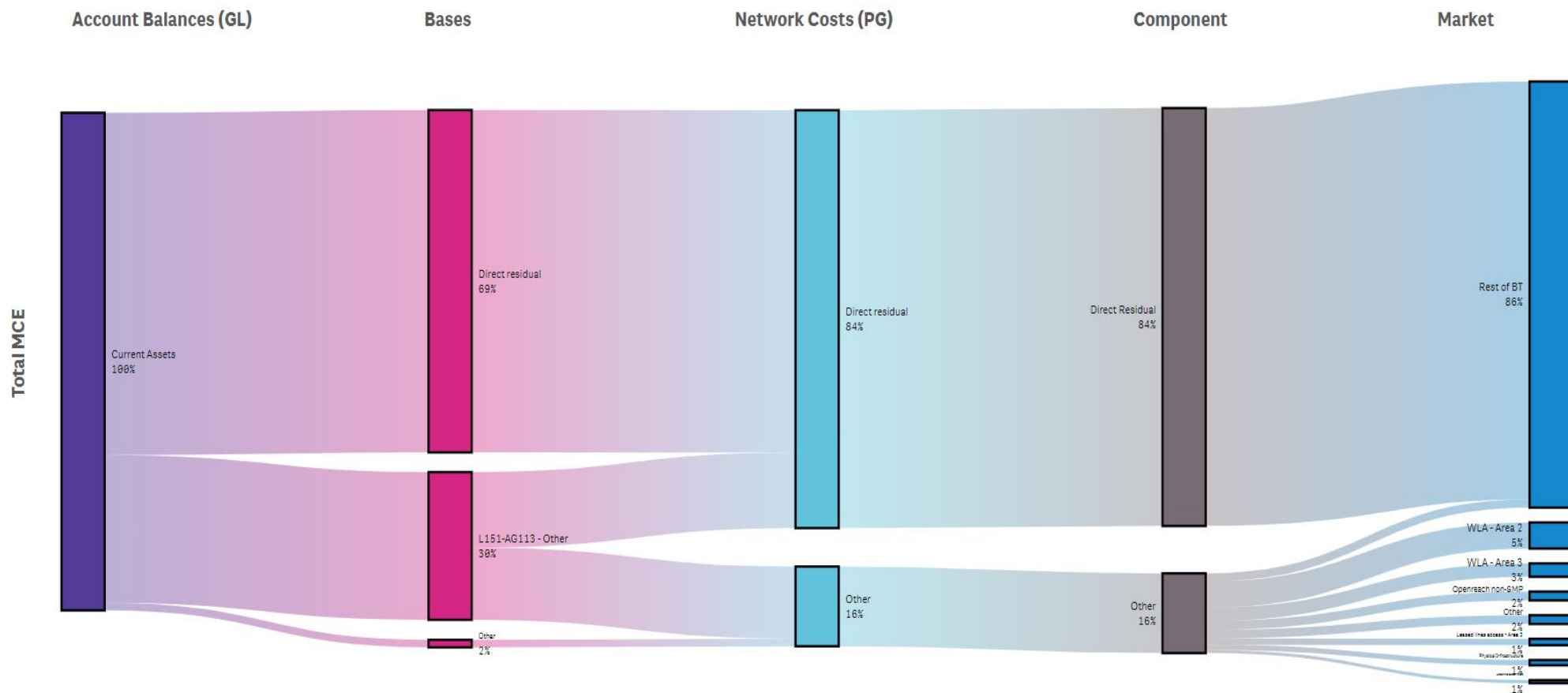
# Appendix 3: Attribution diagrams

## 3.4.11 Mean capital employed - Current Assets

An asset is classified as current when the group:

- expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
- holds the asset primarily for the purpose of trading;
- expects to realise the asset within twelve months after the reporting period; or
- the asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

These MCE values are grouped in the GL layer and are predominantly allocated directly to Rest of BT. A proportion of these balances are allocated to SMP markets including WLA markets via AG113 which apports all liquid fund balances to other Bases, AGs and PGs, based on the proportion of total cash expenditure (operating expenditure and capital expenditure).



## Appendix 3: Attribution diagrams

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### 3.4.12 Mean capital employed - Current Liabilities

A liability is classified as current when the group:

- expects to settle the liability in its normal operating cycle;
- holds the liability primarily for the purpose of trading;
- the liability is due to be settled within twelve months after the reporting period; or
- does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

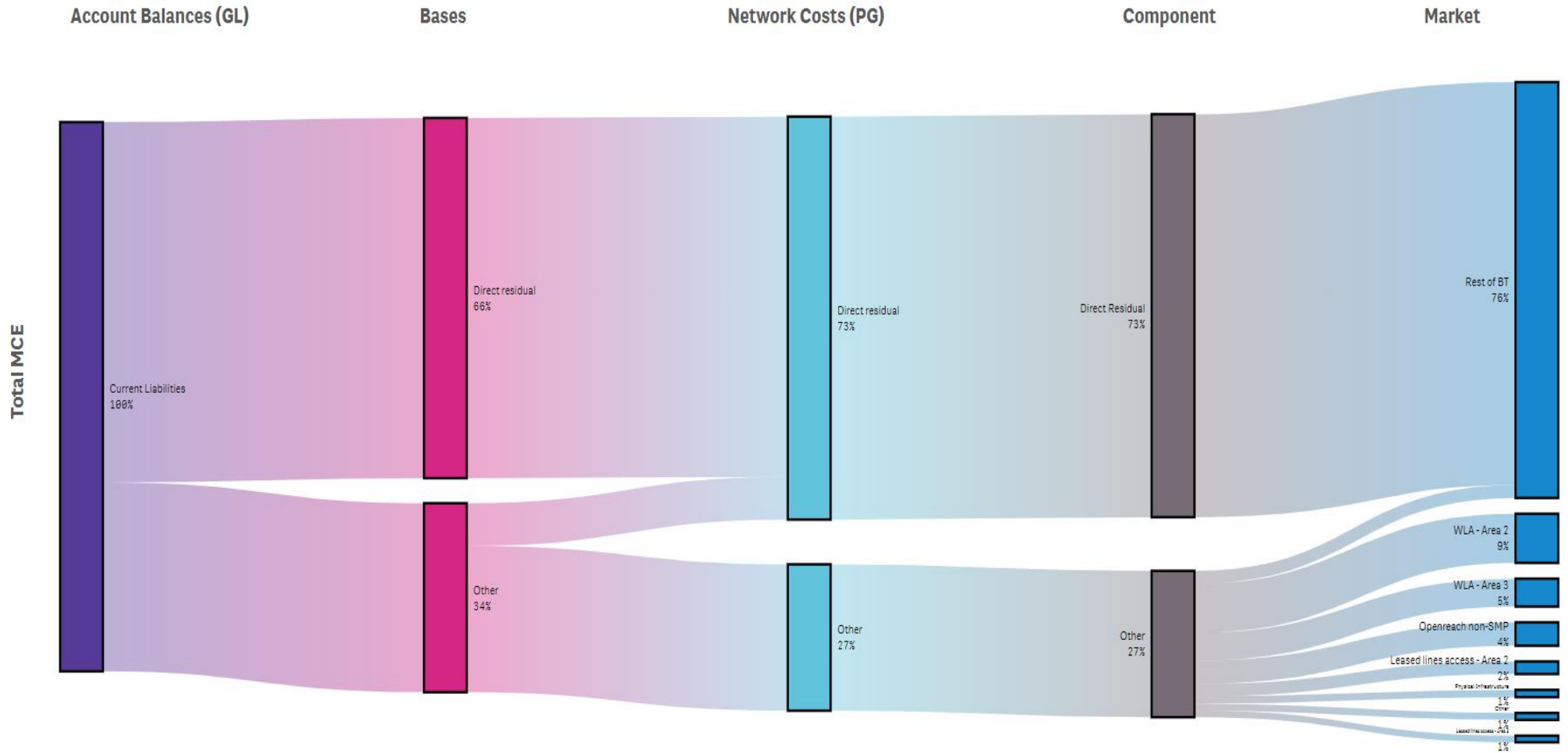
These MCE values are grouped in the GL layer and are predominantly allocated directly to Rest of BT via Direct Residual allocations. A proportion of the balances are allocated to Openreach SMP markets, including WLA and Openreach non-SMP markets via various other bases, PGs and Components.

Other base includes OV-NET: 4.68% AG407: Openreach operations pay driver: 4.3%, and PG502B: BT Group PAC – Including Overseas: 3.7%.

Other network cost includes PG502B: SG&A Openreach Sales Product Management: 3.87%, PG998A: Fibre Rollout Funding: 2.13%

Other Component includes CP502: Openreach Sales Product Management: 3.87%, CL949 One Fibre Network – Distribution fibre: 1.91%

# Appendix 3: Attribution diagrams



# Appendix 3: Attribution diagrams

## 3.4.13 Mean capital employed – Provisions

Provisions are classified as liabilities of uncertain timing or amount.

These MCE values are grouped in the GL layer and are predominantly allocated directly to Rest of BT via Direct Residual allocations. A proportion of the balances are attributed to PG252B: Openreach Residual Elimination which mainly captures cost and MCE related to regulatory provisions (claims by employees that their deafness and breathing was caused during working for BT) and ACCOMMBS – Q: Accommodation. PG252B is allocated directly to CZ252B: OR Residual elimination which then allocates directly to Openreach non-SMP markets. ACCOMMBS – Q allocates through a number of PGs and components, allocating predominantly to Rest of BT and Openreach non-SMP markets.

