



# **KCOM Group Limited**

**Regulatory Financial Statements  
for the year ended 31 March 2020**

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## Ofcom Statement on KCOM's Regulatory Financial Statements 2020

### Introduction

KCOM's reporting obligations arise out of market reviews conducted by Ofcom which impose requirements relating to regulatory financial reporting through SMP Conditions and Directions. Such requirements include publishing with the audited regulatory financial statements (RFS) any written statement made by Ofcom and provided to KCOM commenting on the information, the notes to or the presentation of any or all the RFS, and/or the Primary and Secondary Accounting Documents.

Ofcom believes that the statement below will be helpful to users of the RFS by drawing attention to several important aspects of KCOM's 2019/20 RFS.

### Delay to the publication of the RFS

On 27 July 2020, we consented to KCOM publishing its 2019/20 and 2020/21 RFS nine months after its financial year end (rather than four months), meaning that the 2019/20 RFS should have been published by no later than 31 December 2020<sup>1</sup>.

On 12 November 2020, KCOM wrote to us requesting a three-month extension to the 31 December submission date for its 2019/20 RFS, to 31 March 2021. KCOM explained the request was in line with the coronavirus pandemic measures introduced by government in temporary regulations<sup>2</sup>. Under the temporary regulations, KCOM was permitted to file its statutory accounts by 31 March 2021 rather than 31 December 2020. Given the direct link between KCOM's statutory accounts and the RFS, KCOM stated it was unable to publish its RFS for 2019/20 in advance of submission of the statutory accounts and that it intended to file its statutory accounts in line with the revised extended deadline.

While we did not grant a further extension to the reporting deadlines for the 2019/20 RFS, we did recognise the exceptional circumstances in 2020 and we informed KCOM that we would take due account of them when deciding whether any further action may be necessary once the RFS were submitted.

### Hull Wholesale Access Consultation

On 16 July 2020, we published a consultation entitled "Hull Area Wholesale Fixed Telecoms Market Review 2021-26"<sup>3</sup>. We made a provisional finding that KCOM had market power in the local access and leased lines markets and proposed that KCOM's wholesale competitors should continue to have access to those networks on fair and reasonable terms. We also proposed that KCOM's competitors should be able to lease the dark fibre element of a leased line and we proposed to de-regulate the wholesale broadband access and fixed voice markets.

These proposals, if implemented would reduce the level of both private and public financial reporting overall, although KCOM would be required to provide some service level reporting annually to us in private for a number of dark fibre services for the first time. We expect to publish our decision later this year.

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1. "Consent for KCOM to defer its 2019/20 and 2020/21 Regulatory Financial Statements", 22 July 2020 [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0037/198937/statement-kcom-defer-regulatory-financial-statements.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0037/198937/statement-kcom-defer-regulatory-financial-statements.pdf)

2. Reg. 11 of the Companies etc. (Filing Requirements) (Temporary Modifications) Regulations 2020/645.

3. Ofcom, "Hull Area Wholesale Fixed Telecoms Market Review 2021-26" 16 July 2019 [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0030/198246/hull-wftmr-volume-1-overview.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0030/198246/hull-wftmr-volume-1-overview.pdf) . Detailed regulatory financial reporting proposals are in volume 3, section 3 [https://www.ofcom.org.uk/\\_\\_data/assets/pdf\\_file/0032/198248/hull-wftmr-volume-3-remedies.pdf](https://www.ofcom.org.uk/__data/assets/pdf_file/0032/198248/hull-wftmr-volume-3-remedies.pdf)

## Introduction to the Regulatory Financial Statements

KCOM Group Limited ("KCOM"), has been classified by Ofcom as a communications provider with Significant Market Power ("SMP") in certain communications markets in the Hull area represented by the geographic area of KCOM's original licensed area ("OLA" or the "Hull Area").

In accordance with Ofcom's conditions and directions relating to its SMP findings, KCOM is required to prepare financial statements (the Regulatory Financial Statements or "RFS") setting out its financial performance in certain markets which KCOM has been found to have SMP.

KCOM is required to prepare RFS for those markets in the Hull Area shown below (the "RFS Markets").

- Wholesale Local Access\*
- Wholesale Broadband Access
- Wholesale Low Bandwidth Traditional Interface Symmetric Broadband Origination (TISBO) <8Mbit/s
- Wholesale Contemporary Interface Symmetric Broadband Origination ('CISBO')
- Wholesale Fixed Analogue Exchange Lines
- Wholesale ISDN 30 Exchange Line Services
- Wholesale ISDN 2 Exchange Line Services
- Wholesale Call Origination on Fixed Narrowband network

*\*KCOM has no reported volumes in this market, therefore no financial statements are presented*

The RFS comprises individual and consolidated reports for each of the markets where cost accounting and accounting separation obligations apply. Reconciliations to the KCOM Group Limited annual report are also presented.

The respective wholesale markets contain fully allocated costs, revenues, assets and liabilities relating to services provided to other licensed telecommunications operators or similar services provided to KCOM's retail business units. Network charges to other operators and KCOM's own retail business are based on their consumption of bundles of network elements (known as "components") in network services. The current cost accounting ("CCA") cost of components is based on fully allocated costs of components including a cost of capital.

The accompanying Description of Cost Accounting System ('DOCAS') document describes the basis on which the RFS have been prepared.

The form and content of the RFS are based on the reporting obligations set by Ofcom.

### **Acquisition**

On 1 August 2019, MEIF 6 Fibre Limited, a wholly-owned indirect subsidiary of Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited ("MIRA")) acquired KCOM Group PLC. Accordingly, KCOM Group PLC delisted from the London Stock Exchange and changed its name to KCOM Group Limited.

KCOM Group Limited operates as a group of companies, and its annual report is based on the consolidated results of that group. The SMP conditions directed by Ofcom are at the KCOM Group Limited level and therefore excludes the financial position and results of the entities that exist above it in the acquiring structure. The RFS model is therefore based on KCOM Group Limited.

## Directors' Statement of Responsibility

The board of Directors of KCOM Group Limited have responsibility for setting out the basis of preparation of the Financial Statements, confirming compliance with its responsibilities under the Conditions as conferred in "The regulatory financial reporting obligations on BT and Kingston Communications: Final statement and notification dated 22 July 2004" and subsequent amendments, including the most recent directions conferred in "KCOM Regulatory Financial Reporting: Statement on new regulatory financial reporting directions covering all regulated fixed telecoms issued 6 February 2019".

Each financial statement:

- 1 Includes:
  - A Regulatory Financial Review
  - A Current Cost Profit and Loss (P&L) Statement
  - Statement of Current Cost Mean Capital Employed (MCE) Statement
  - A network activity statement (if applicable)
- 2 Is prepared in accordance with the Description of Cost Accounting Systems (the "DOCAS") dated 25 May 2021
- 3 Is reconciled with the Annual Report and Accounts of KCOM Limited and that reconciliation is demonstrated and explained

The directors confirm that the Financial Statements for the year ended 31 March 2020 have been prepared in accordance with the requirements of the relevant conditions.



**Dale Raneberg**  
Chief Executive Officer  
25 May 2021

## ***Independent auditors' report to the directors of KCOM Limited and Ofcom***

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### **Opinion**

In our opinion, KCOM Group Limited's Regulatory Accounts for the year ended 31 March 2020 have been properly prepared, in all material respects, in accordance with the Description of Cost Accounting System ("DOCAS") dated 25 May 2021 and "The regulatory financial reporting obligations of BT and Kingston Communications" published by the Office of Communications ("Ofcom" or the "Regulator") on 22 July 2004 and subsequent amendments, including the most recent directions conferred in "KCOM Regulatory Financial Reporting: Statement on new regulatory financial reporting directions covering all regulated fixed telecoms" issued 6 February 2019 (the "Obligations") as summarised in the basis of preparation in note 2 and accounting policies in note 2 to the Regulatory Accounts.

We have audited the Regulatory Accounts, included within the Regulatory Financial Statements, which comprise:

- the Consolidated Current Cost Profit and Loss Account, the Consolidated Statement of Current Cost Mean Capital Employed and the Consolidated Network Activity Statement as at 31 March 2020 and for the year then ended;
- the Current Cost Profit and Loss Accounts, the Statement of Current Cost Mean Capital Employed and the Network Activity Statements for each Regulatory Market defined below as at 31 March 2020 and for the year then ended; and
- the notes to the Regulatory Accounts, which include a description of the significant accounting policies.

The Consolidated Current Cost Profit and Loss Account, the Consolidated Statement of Current Cost Mean Capital Employed and the Consolidated Network Activity Statement, include information in respect of the following Regulatory Markets:

- KCOM Wholesale Broadband Access in the Hull area;
- KCOM Wholesale Market for Low Bandwidth Traditional Interface Symmetric Broadband Origination (TISBO) in the Hull area, at Bandwidths  $\leq$  8Mbit/s;
- KCOM Wholesale Market for Contemporary Interface Symmetric Broadband Origination (CISBO) at all Bandwidths within the Hull Area;
- KCOM Wholesale Fixed Analogue Exchange Line Services in the Hull Area;
- KCOM Wholesale ISDN 30 Exchange Line Services in the Hull Area;
- KCOM Wholesale ISDN 2 Exchange Line Services in the Hull Area; and
- KCOM Wholesale Call Origination on a Fixed Narrowband Network in the Hull Area.

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### **Basis for opinion**

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

### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Emphasis of matter - Basis of preparation**

In forming our opinion on the financial statements, which is not modified, we draw attention to note 2 of the Regulatory Accounts which includes a description of the basis of preparation, and in particular, the fact that the accounting policies used and disclosures made are not intended to, and do not, comply with the requirements of international accounting standards in conformity with the requirements of the Companies Act 2006. The Regulatory Accounts are prepared in accordance with a special purpose framework for the directors and Ofcom for the specific purpose as described in the Use of this report paragraph below. As a result, the Regulatory Accounts may not be suitable for another purpose.

In addition, we draw attention to the fact that these Regulatory Accounts have not been prepared under section 394 of the Companies Act 2006 and are not the company's statutory financial statements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the Regulatory Accounts is not appropriate; or
- the directors have not disclosed in the Regulatory Accounts any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the company's financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

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

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## ***Independent auditors' report to the directors of KCOM Limited and Ofcom (continued)***

### **Reporting on other information**

The other information comprises all of the information in the Regulatory Financial Statements other than the Regulatory Accounts and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the Regulatory Accounts does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance thereon.

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

### **Responsibilities for the Regulatory Accounts and the audit**

#### *Responsibilities of the directors for the Regulatory Accounts*

As explained more fully in the Directors' Statement of Responsibility set out on page 4, the directors are responsible for the preparation of the Regulatory Accounts in accordance with the basis of preparation and accounting policies in note 2 to the Regulatory Accounts and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of Regulatory Accounts that are free from material misstatement, whether due to fraud or error.

In preparing the Regulatory Accounts, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the Regulatory Accounts*

Our objectives are to obtain reasonable assurance about whether the Regulatory Accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Regulatory Accounts.

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

#### *Use of this report*

This report, including the opinion, has been prepared for and only for the company's directors as a body for the purposes of meeting the company's obligations under the Obligations and for Ofcom in accordance with our engagement letter dated 15 March 2021 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person other than the Company (or, where the Regulator has signed a Written Notice, the Regulator) to whom this report is shown or into whose hands it may come, including without limitation under any contractual obligations of the company, save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP  
Chartered Accountants  
London  
25 May 2021

## KCOM Consolidated Statement

Consolidated Total - For all markets where cost accounting and accounting separation obligations apply

CURRENT COST PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change Year on Year	% Change Year on Year
<b>Turnover</b>				
Internal Sales	56,713	52,996	3,717	7%
External Sales	6,858	5,699	1,159	20%
<b>Total Turnover</b>	<b>63,571</b>	<b>58,695</b>	<b>4,876</b>	<b>8%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(9,023)	(6,124)	(2,899)	47%
- Finance & Billing	(1,762)	(1,974)	212	(11%)
- General Management	(3,430)	(3,207)	(223)	7%
- Outpayments	-	-	-	-
- Bad Debts	(103)	4	(107)	(2678%)
- Back Office Support	(967)	(1,968)	1,001	(51%)
- Other Costs	(9,978)	(11,574)	1,596	(14%)
<b>Sub total operating expenditure</b>	<b>(25,264)</b>	<b>(24,843)</b>	<b>(421)</b>	<b>2%</b>
Depreciation				
- Duct	(225)	(233)	8	-
- Copper	(2,005)	(1,828)	(177)	10%
- Fibre	(1,825)	(3,004)	1,179	(39%)
- Transmission	(778)	(775)	(3)	0%
- Exchange	(2,801)	(2,200)	(601)	27%
- Other	(4,717)	(4,565)	(152)	3%
CCA adjustments:				
Holding gain	3,402	2,314	1,088	47%
Supplementary depreciation	(1,789)	(1,606)	(183)	11%
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(36,002)</b>	<b>(36,740)</b>	<b>738</b>	<b>(2%)</b>
<b>Return</b>	<b>27,569</b>	<b>21,955</b>	<b>5,614</b>	<b>26%</b>
<b>MCE</b>	<b>143,322</b>	<b>138,010</b>	<b>5,312</b>	<b>4%</b>
<b>RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER</b>				
Total Reported Wholesale Markets	2020	2019		
	%	%		
<b>Return on mean capital employed</b>	<b>19.2%</b>	<b>15.9%</b>		



**KCOM Consolidated Statement****Consolidated Total - For all markets where cost accounting and accounting separation obligations apply**STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED  
for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	3,745	3,381	364	10.8%
- Duct	7,669	7,888	(219)	(2.8%)
- Fibre	16,212	15,705	507	3.2%
- Copper	17,875	17,839	36	0.2%
- Transmission	4,631	4,821	(190)	(3.9%)
- Exchange	23,020	19,241	3,779	19.6%
- Other	61,778	62,094	(316)	(0.5%)
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>134,929</b>	<b>130,969</b>	<b>3,960</b>	<b>3.0%</b>
<b>Current assets</b>				
Stocks	2,546	2,818	(272)	(9.7%)
Debtors	-	-	-	-
- internal	4,661	4,356	305	7.0%
- external	2,106	1,619	487	30.1%
Cash	-	-	-	-
<b>Total current assets</b>	<b>9,314</b>	<b>8,793</b>	<b>521</b>	<b>5.9%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(921)	(1,752)	831	(47.4%)
<b>Total creditors: amounts falling due within one year</b>	<b>(921)</b>	<b>(1,752)</b>	<b>831</b>	<b>(47.4%)</b>
<b>Net current assets</b>	<b>8,393</b>	<b>7,041</b>	<b>1,352</b>	<b>19.2%</b>
<b>Total assets less current liabilities</b>	<b>143,322</b>	<b>138,010</b>	<b>5,312</b>	<b>3.8%</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>143,322</b>	<b>138,010</b>	<b>5,312</b>	<b>3.8%</b>

## KCOM Consolidated Statement of Costs

Network Activity Statement  
for year ended 31 March 2020

	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Unit of measure (based on network components)	Volume	Average costs per unit on a current cost basis relating to current year
<b>Fully Allocated Costs</b>											
<b>Components</b>											
Net Current Assets	-	-	-	-	8,393	8.45%	709	709	Various	329,018,690	£0.0022
Electronics	6,819	282	(662)	6,439	25,333	8.45%	2,141	8,580	Various	329,018,690	£0.0261
Field Provision	4,739	-	(27)	4,712	1,159	8.45%	98	4,810	Various	329,018,690	£0.0146
Field Maintenance	2,392	26	(13)	2,405	576	8.45%	49	2,454	Various	329,018,690	£0.0075
Local Loop Infrastructure	15,916	1,135	(2,370)	14,681	95,373	8.45%	8,059	22,740	Various	329,018,690	£0.0691
Exchange Concentrator	1,089	18	(27)	1,080	1,073	8.45%	91	1,171	Various	329,018,690	£0.0036
Exchange to Exchange Transmission link	2,301	272	(215)	2,358	7,971	8.45%	674	3,032	Various	329,018,690	£0.0092
Back-office Provisioning	2,155	8	(12)	2,151	512	8.45%	43	2,194	Various	329,018,690	£0.0067
Back-office Maintenance	1,082	4	(6)	1,080	257	8.45%	22	1,102	Various	329,018,690	£0.0033
Sales and Product Management	172	1	(1)	171	41	8.45%	3	174	Various	329,018,690	£0.0005
Other	951	45	(69)	926	2,633	8.45%	222	1,148	Various	329,018,690	£0.0035
<b>Totals 2020</b>	<b>37,615</b>	<b>1,789</b>	<b>(3,402)</b>	<b>36,002</b>	<b>143,322</b>		<b>12,111</b>	<b>48,113</b>			

## KCOM Consolidated Statement of Costs

### Network Activity Statement for year ended 31 March 2019

	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Unit of measure (based on network components)	Volume	Average costs per unit on a current cost basis relating to current year
<b>Fully Allocated Costs</b>											
<b>Components</b>											
Net Current Assets	-	-	-	-	7,042	9.30%	655	655	Various	326,862,613	£0.0020
Electronics	6,531	234	(374)	6,391	23,016	9.30%	2,140	8,531	Various	326,862,613	£0.0261
Field Provision	1,062	1	(2)	1,061	75	9.30%	7	1,068	Various	326,862,613	£0.0033
Field Maintenance	3,632	3	(6)	3,629	255	9.30%	24	3,653	Various	326,862,613	£0.0112
Local Loop Infrastructure	18,754	1,011	(1,612)	18,153	93,414	9.30%	8,688	26,841	Various	326,862,613	£0.0821
Exchange Concentrator	865	12	(15)	862	855	9.30%	80	942	Various	326,862,613	£0.0029
Exchange to Exchange Transmission link	2,491	295	(210)	2,576	9,096	9.30%	846	3,422	Various	326,862,613	£0.0105
Back-office Provision	801	1	(1)	801	56	9.30%	5	806	Various	326,862,613	£0.0025
Back-office Maintenance	739	-	(1)	738	52	9.30%	5	743	Various	326,862,613	£0.0023
Sales and Product Management	269	-	-	269	57	9.30%	5	274	Various	326,862,613	£0.0008
Other	2,306	45	(91)	2,260	4,091	9.30%	380	2,640	Various	326,862,613	£0.0081
<b>Totals 2019</b>	<b>37,450</b>	<b>1,602</b>	<b>(2,312)</b>	<b>36,740</b>	<b>138,009</b>		<b>12,835</b>	<b>49,575</b>			

## Regulatory Financial Review

### Changes in cost allocation

In the KCOM Group Limited financial statements for the year ended 31 March 2020, certain changes were made to the previously published 2019 figures in the segmental analysis to ensure a more consistent comparison with the corresponding 2020 figures. This was due to a different allocation of costs across the reported segments. The impact on the RFS for 2019 has been calculated to be immaterial and accordingly no changes to the comparable figures in these RFS have been made.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

### Changes in accounting standards

#### *IFRS 16 Accounting for Leases*

In January 2016, the IASB issued IFRS 16 "Leases" which replaces IAS 17 "Leases". IFRS 16 was applied for the accounting period commencing 1 April 2019 and was adopted using a modified retrospective transition approach. Consequently, the prior year comparatives have not been restated.

The adoption of IFRS 16 has resulted in the recognition of new categories of non-current assets (Right of Use assets) and associated lease liabilities. All Right of Use assets and associated liabilities are associated with the part of the KCOM business outside of the regulated Hull area and are therefore excluded from the RFS statements for those markets.

### Rounding of Presented Numbers

These statements incorporate numbers to decimal places which, when presented as whole digits within these statements, may not cast precisely to the totals. In consequence the % variances refer to the underlying figure in £ and may differ from calculations performed using the visible integers.

## Regulatory Financial Review (KCOM)

### KCOM Wholesale Broadband Access in the Hull area

The Wholesale Broadband Access market comprises broadband internet access products available to both consumers and businesses in the Hull area. As at 31 March 2020, we were at 100% premises passed with KCOM's fibre deployment in the Hull Area. There are a number of residential and business addresses in the Hull Area that are currently without 'bookable' access to our fibre broadband service (i.e. those customers that cannot currently purchase our fibre broadband service due to controllable engineering exceptions but whose premise has been passed with the requisite fibre infrastructure). These 'non-bookable exceptions' arise as a consequence of engineering (e.g. direct buried cables) or administrative (e.g. wayleaves) issues. KCOM has an active programme to address these exceptions. The proportion of Consumer broadband customers now connected with fibre stood at 82% at the year end.

#### Number of circuits

Circuit Nos	ADSL Circuits only				ADSL and FTTP Circuits						
	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20
	119,623	0%	120,122	15%	137,770	12%	154,734	9%	168,171	1%	169,063

The completion of the FTTP roll-out has facilitated an increase in overall circuit numbers. The wholesale FTTP product suite includes a reseller product. Reference Offer products in the Wholesale Broadband Access market were introduced in May 2019. Demand for ADSL is reducing as fibre becomes the main delivery within the local market.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Wholesale products in this market, for both periods under review, are priced based on reference offer prices that were published in May 2019.

External sales reflects actual revenues. The price of reseller products are amended to reflect changes in the relevant retail prices.

Revenue has increased by 17% due to the increase in fibre to the premise ("FTTP") circuits in FY20, reflecting customers migrating from the copper ADSL services to more expensive fibre products.

Overall costs have decreased, driven by lower staff costs, depreciation charges and current cost accounting adjustments.

## KCOM Wholesale Broadband Access in the Hull area

### CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2020

	£k 2020	£k 2019	£'k Change Year on Year	£'k Change Year on Year
<b>Turnover</b>				
Internal Sales	32,008	27,440	4,568	17%
External Sales	1,526	1,169	357	31%
<b>Total Turnover</b>	<b>33,535</b>	<b>28,609</b>	<b>4,926</b>	<b>17%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(4,664)	(3,408)	(1,256)	37%
- Finance & Billing	(1,100)	(1,453)	353	(24%)
- General Management	(1,891)	(2,360)	469	(20%)
- Outpayments	-	-	-	-
- Bad Debts	(84)	-	(84)	
- Back Office Support	(611)	(1,095)	484	(44%)
- Other Costs	(5,350)	(6,730)	1,380	(21%)
<b>Sub total operating expenditure</b>	<b>(13,700)</b>	<b>(15,046)</b>	<b>1,346</b>	<b>(9%)</b>
Depreciation				
- Duct	(116)	(114)	(2)	2%
- Copper	-	-	-	-
- Fibre	(1,502)	(2,577)	1,075	(42%)
- Transmission	(238)	(740)	502	(68%)
- Exchange	(1,959)	(1,634)	(325)	20%
- Other	(3,415)	(2,982)	(433)	15%
CCA adjustments:				
Holding gain	2,142	1,403	739	53%
Supplementary depreciation	(643)	(546)	(97)	18%
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(19,431)</b>	<b>(22,236)</b>	<b>2,805</b>	<b>(13%)</b>
<b>Return</b>	<b>14,104</b>	<b>6,373</b>	<b>7,731</b>	<b>121%</b>
<b>MCE</b>	<b>88,903</b>	<b>88,590</b>	<b>313</b>	<b>0%</b>

### RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2020

	%	%
<b>Return on mean capital employed</b>	<b>15.9%</b>	<b>7.2%</b>

## KCOM Wholesale Broadband Access in the Hull area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	1,991	1,881	110	6%
- Duct	3,954	3,850	104	3%
- Fibre	13,632	12,189	1,443	12%
- Copper	-	-	-	-
- Transmission	1,411	4,688	(3,277)	(70%)
- Exchange	13,144	12,298	846	7%
- Other	50,404	50,012	392	1%
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>84,537</b>	<b>84,918</b>	<b>(381)</b>	<b>(0%)</b>
<b>Current assets</b>				
Stocks	1,831	2,374	(543)	(23%)
Debtors				
- internal	2,631	2,255	376	17%
- external	469	332	137	41%
Cash	-	-	-	-
<b>Total current assets</b>	<b>4,931</b>	<b>4,961</b>	<b>(30)</b>	<b>(1%)</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(565)	(1,289)	724	(56%)
<b>Total creditors: amounts falling due within one year</b>	<b>(565)</b>	<b>(1,289)</b>	<b>724</b>	<b>(56%)</b>
<b>Net current assets</b>	<b>4,366</b>	<b>3,672</b>	<b>694</b>	<b>19%</b>
<b>Total assets less current liabilities</b>	<b>88,903</b>	<b>88,590</b>	<b>313</b>	<b>0%</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>88,903</b>	<b>88,590</b>	<b>313</b>	<b>0%</b>

## Regulatory Financial Review (KCOM)

### KCOM Wholesale Market for Low Bandwidth Traditional Interface Symmetric Broadband Origination (TISBO) in the Hull area, at Bandwidths $\leq$ 8Mbit/s

The market for the provision of traditional interface symmetric broadband origination (TISBO) includes point-to-point circuits between 64Kbit/s and 8 Mbit/s. Circuit numbers in the sub 2Mbit/s category have been declining for some years as the increasing capabilities of ethernet and other IP services increase the pace of substitution. Analogue circuits have now been withdrawn and sub 2Mbit/s circuits were on notice for closure in March 2020.

#### Number of circuits

2014/15		2015/16		2016/17		2017/18		2018/19		2019/20
1,716	-8%	1,574	-19%	1,282	-34%	841	17%	982	-34%	650

Volumes in 2019/20 include analogue, low bandwidth legacy circuits previously included in other markets.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Wholesale products for services between 1Mbit/s and 8Mbit/s in this market have been provided under the Reference Offers in the period under review. Wholesale products for Services < 1Mbit/s in this market have consisted of 'retail minus' products in the period under review.

External wholesale prices for the these products did not change in the year.

Revenue has declined by less than volume due to the mix of circuits.

Overall costs have decreased, reflecting the lower volume of circuits and increasing proportion of fully depreciated assets.



**KCOM Wholesale Market for Low Bandwidth Traditional Interface Symmetric Broadband Origination (TISBO) in the Hull area, at Bandwidths ≤ 8Mbit/s**

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change Year on Year	£k Change Year on Year
<b>Turnover</b>				
Internal Sales	390	805	(415)	(52%)
External Sales	904	803	101	13%
<b>Total Turnover</b>	<b>1,293</b>	<b>1,608</b>	<b>(315)</b>	<b>(20%)</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(81)	(100)	19	(19%)
- Finance & Billing	(11)	(46)	35	(75%)
- General Management	(20)	(75)	55	(73%)
- Outpayments	-	-	-	-
- Bad Debts	0	1	(1)	(75%)
- Back Office Support	(3)	(32)	29	(90%)
- Other Costs	(108)	(232)	124	(53%)
<b>Sub total operating expenditure</b>	<b>(224)</b>	<b>(483)</b>	<b>259</b>	<b>(54%)</b>
Depreciation				
- Duct	(0)	-	(0)	-
- Copper	(6)	(11)	5	(41%)
- Fibre	(0)	(1)	1	(86%)
- Transmission	(13)	(34)	21	(61%)
- Exchange	(5)	(19)	14	(74%)
- Other	(45)	(325)	280	(86%)
CCA adjustments:				
Holding gain	8	43	(35)	(80%)
Supplementary depreciation	(15)	(39)	24	(61%)
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(301)</b>	<b>(869)</b>	<b>568</b>	<b>(65%)</b>
<b>Return</b>	<b>992</b>	<b>739</b>	<b>253</b>	<b>34%</b>
<b>MCE</b>	<b>2,156</b>	<b>4,320</b>	<b>(2,164)</b>	<b>(50%)</b>

**RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER**

For the year ended 31 March 2020

	2020 %	2019 %
<b>Return on mean capital employed</b>	<b>46.0%</b>	<b>17.1%</b>

**KCOM Wholesale Market for Low Bandwidth Traditional Interface Symmetric Broadband Origination (TISBO) in the Hull area, at Bandwidths ≤ 8Mbit/s**

**STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED**

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	21	64	(43)	(67%)
- Duct	8	16	(8)	(52%)
- Fibre	1	7	(6)	(84%)
- Copper	58	103	(45)	(44%)
- Transmission	92	127	(35)	(28%)
- Exchange	45	231	(186)	(80%)
- Other	1,616	3,481	(1,865)	(54%)
	-	-	-	-
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>1,841</b>	<b>4,029</b>	<b>(2,188)</b>	<b>(54%)</b>
<b>Current assets</b>				
Stocks	11	38	(27)	(70%)
Debtors				
- internal	32	66	(34)	(51%)
- external	278	228	50	22%
Cash	-	-	-	-
<b>Total current assets</b>	<b>321</b>	<b>332</b>	<b>(11)</b>	<b>(3%)</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(6)	(41)	35	(85%)
<b>Total creditors: amounts falling due within one year</b>	<b>(6)</b>	<b>(41)</b>	<b>35</b>	<b>(85%)</b>
<b>Net current assets</b>	<b>315</b>	<b>291</b>	<b>24</b>	<b>8%</b>
<b>Total assets less current liabilities</b>	<b>2,156</b>	<b>4,320</b>	<b>(2,164)</b>	<b>(50%)</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>2,156</b>	<b>4,320</b>	<b>(2,164)</b>	<b>(50%)</b>

## Regulatory Financial Review (KCOM)

### KCOM Wholesale Market for Contemporary Interface Symmetric Broadband Origination (CISBO) at all Bandwidths within the Hull Area

The market for the provision of contemporary interface symmetric broadband origination (CISBO) includes connections from 2Mbit/s to 10Gbit/s utilising ethernet technology. Core external clients incorporate mobile infrastructure operators and Communications Providers servicing their national clients. We have also extended to offering 100Gbit/s services during the year and optical wavelength access services.

#### Number of Circuits

2014/15		2015/16		2016/17		2017/18		2018/19		2019/20
1,143	25%	1,432	-26%	1,055	27%	1,340	19%	1,594	15%	1,829

Pricing of these circuits has witnessed ongoing reductions which, together with growing requirements for ever greater bandwidth, has encouraged migration of circuits from older technology, lower bandwidth alternatives. Analogue private circuits ceased at the end of 2018/19 whilst sub 2Mbit/s circuits were on notice for closure in March 2020.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Wholesale products in this market have been priced based on the Reference Offers in the period under review.

Revenue has increased by 16%. Increased volumes from demand for high capacity circuits, has in part been offset by a reduction in Reference Offer prices.

Costs have increased due to increased volumes driving higher allocations of network common costs.

## KCOM Wholesale Market for Contemporary Interface Symmetric Broadband Origination (CISBO) at all Bandwidths within the Hull Area

### CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change Year on Year	£k Change Year on Year
<b>Turnover</b>				
Internal Sales	4,847	4,609	238	5%
External Sales	2,633	1,864	769	41%
<b>Total Turnover</b>	<b>7,480</b>	<b>6,472</b>	<b>1,008</b>	<b>16%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(1,337)	(707)	(630)	89%
- Finance & Billing	(157)	(66)	(91)	137%
- General Management	(459)	(108)	(351)	325%
- Outpayments	-	-	-	-
- Bad Debts	(4)	2	(6)	(305%)
- Back Office Support	(26)	(227)	201	(88%)
- Other Costs	(1,204)	(1,625)	421	(26%)
<b>Sub total operating expenditure</b>	<b>(3,187)</b>	<b>(2,731)</b>	<b>(456)</b>	<b>17%</b>
Depreciation				
- Duct	(44)	(54)	10	(18%)
- Copper	-	-	-	-
- Fibre	(307)	(395)	88	(22%)
- Transmission	(525)	-	(525)	-
- Exchange	(342)	(172)	(170)	99%
- Other	(319)	(177)	(142)	80%
CCA adjustments:				
Holding (gain) / loss	328	186	142	76%
Supplementary depreciation	(304)	(268)	(36)	13%
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(4,701)</b>	<b>(3,611)</b>	<b>(1,090)</b>	<b>30%</b>
<b>Return</b>	<b>2,779</b>	<b>2,861</b>	<b>(82)</b>	<b>(3%)</b>
<b>MCE</b>	<b>13,583</b>	<b>9,169</b>	<b>4,414</b>	<b>48%</b>

### RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2020

	2020 %	2019 %
<b>Return on mean capital employed</b>	<b>20.5%</b>	<b>31.2%</b>

## KCOM Wholesale Market for Contemporary Interface Symmetric Broadband Origination (CISBO) at all Bandwidths within the Hull Area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2020

	£k 2020	£k 2019	£'k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	726	621	105	17%
- Duct	1,508	1,835	(327)	(18%)
- Fibre	2,439	3,366	(927)	(28%)
- Copper	-	-	-	-
- Transmission	3,114	-	-	-
- Exchange	3,091	1,700	1,391	82%
- Other	1,404	743	661	89%
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>12,281</b>	<b>8,265</b>	<b>4,016</b>	<b>49%</b>
<b>Current assets</b>				
Stocks	190	54	136	251%
Debtors				
- internal	398	379	19	5%
- external	809	530	279	53%
Cash	-	-	-	-
<b>Total current assets</b>	<b>1,397</b>	<b>963</b>	<b>434</b>	<b>45%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(95)	(59)	(36)	62%
<b>Total creditors: amounts falling due within one year</b>	<b>(95)</b>	<b>(59)</b>	<b>(36)</b>	<b>62%</b>
<b>Net current assets</b>	<b>1,302</b>	<b>904</b>	<b>398</b>	<b>44%</b>
<b>Total assets less current liabilities</b>	<b>13,583</b>	<b>9,169</b>	<b>4,414</b>	<b>48%</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>13,583</b>	<b>9,169</b>	<b>4,414</b>	<b>48%</b>

## Regulatory Financial Review (KCOM)

### KCOM Wholesale Fixed Analogue Exchange Line Services in the Hull Area

The analogue exchange line services market provides analogue lines to residential and business consumers within the Hull area.

Number of Lines or Circuits

2014/15		2015/16		2016/17		2017/18		2018/19		2019/20
171,994	-1%	169,783	-2%	165,568	5%	173,549	-2.7%	168,897	-0.1%	168,663

Industry trends have been for analogue exchange line services to decline year on year as traditional voice services have been supplanted by mobile and IP alternatives and KCOM Hull has been part of this trend. Volumes are maintained due to demand for fixed line internet over fibre, which requires an active telephone service. The FTTP network, which operates in parallel with traditional infrastructure in those areas in which it has been rolled out, expanded significantly in the year.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Transfer prices are based on externally published Reference Offer prices, that were implemented in September 2018. The prices did not change year on year.

Revenue has declined by 4% year on year driven by a minor reduction in volumes and the mix of Consumer and Business customers.

Reported returns have fallen due to the reduced revenue and increased costs.

## KCOM Wholesale Fixed Analogue Exchange Line Services in the Hull Area

### CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change Year on Year	£k Change Year on Year
<b>Turnover</b>				
Internal Sales	16,254	16,901	(647)	(4%)
External Sales	1,072	1,091	(19)	(2%)
<b>Total Turnover</b>	<b>17,326</b>	<b>17,992</b>	<b>(666)</b>	<b>(4%)</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(2,425)	(1,447)	(978)	68%
- Finance & Billing	(353)	(218)	(135)	62%
- General Management	(805)	(353)	(452)	128%
- Outpayments	-	-	-	-
- Bad Debts	(14)	1	(15)	(1488%)
- Back Office Support	(297)	(465)	168	(36%)
- Other Costs	(2,378)	(2,062)	(316)	15%
<b>Sub total operating expenditure</b>	<b>(6,272)</b>	<b>(4,544)</b>	<b>(1,728)</b>	<b>38%</b>
Depreciation				
- Duct	(63)	(63)	(0)	0%
- Copper	(1,984)	(1,797)	(187)	10%
- Fibre	-	-	-	-
- Transmission	-	-	-	-
- Exchange	(347)	(252)	(95)	38%
- Other	(716)	(451)	(265)	59%
CCA adjustments:				
Holding gain	748	576	172	30%
Supplementary depreciation	(780)	(704)	(76)	11%
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(9,414)</b>	<b>(7,235)</b>	<b>(2,179)</b>	<b>30%</b>
<b>Return</b>	<b>7,912</b>	<b>10,757</b>	<b>(2,845)</b>	<b>(26%)</b>
<b>MCE</b>	<b>32,464</b>	<b>30,088</b>	<b>2,376</b>	<b>8%</b>

### RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2020

	2020 %	2019 %
<b>Return on mean capital employed</b>	<b>24.4%</b>	<b>35.8%</b>

## KCOM Wholesale Fixed Analogue Exchange Line Services in the Hull Area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	702	519	183	35%
- Duct	2,147	2,120	27	1%
- Fibre	-	-	-	-
- Copper	17,689	17,537	152	1%
- Transmission	-	-	-	-
- Exchange	3,132	3,042	90	3%
- Other	6,943	5,177	1,766	34%
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>30,613</b>	<b>28,395</b>	<b>2,218</b>	<b>8%</b>
<b>Current assets</b>				
Stocks	367	187	180	96%
Debtors				
- internal	1,336	1,389	(53)	(4%)
- external	329	310	19	6%
Cash	-	-	-	-
<b>Total current assets</b>	<b>2,033</b>	<b>1,886</b>	<b>147</b>	<b>8%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(182)	(193)	11	(6%)
<b>Total creditors: amounts falling due within one year</b>	<b>(182)</b>	<b>(193)</b>	<b>11</b>	<b>(6%)</b>
<b>Net current assets</b>	<b>1,851</b>	<b>1,693</b>	<b>158</b>	<b>9%</b>
<b>Total assets less current liabilities</b>	<b>32,464</b>	<b>30,088</b>	<b>2,376</b>	<b>8%</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>32,464</b>	<b>30,088</b>	<b>2,376</b>	<b>8%</b>



## Regulatory Financial Review (KCOM)

### KCOM Wholesale ISDN 30 Exchange Line Services in the Hull Area

This market is for the provision of ISDN30 lines to businesses within the Hull regulatory area, the primary usage for which is voice traffic.

#### Number of Lines or Circuits:

Lines			Channels			
2014/15		2015/16	2016/17	2017/18	2018/19	2019/20
1,145	-9%	1,043	9,379	10,555	9,381	10,376
			13%	-11%	11%	

ISDN 30 circuits continue to have value for voice applications but are expected to decline in the future as IP telephony applications over FTTP become the default alternatives.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Wholesale products in this market are the historic 'retail minus' products and their equivalents provided under the Wholesale Line Rental Reference Offer launched during December 2018.

External wholesale prices for the 'retail minus' products did not change in the year. Transfer prices for both periods under review are based upon the Reference Offer pricing established and published during December 2018.

Increase in revenue driven by higher volumes.

Overall costs have decreased, driven by lower depreciation costs reflecting a greater proportion of fully depreciated assets which are still being used to deliver services.

## KCOM Wholesale ISDN 30 Exchange Line Services in the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2020

	£k 2020	£k 2019	<i>£k Change Year on Year</i>	<i>£k Change Year on Year</i>
<b>Turnover</b>				
Internal Sales	1,241	1,104	137	12%
External Sales	238	234	4	2%
<b>Total Turnover</b>	<b>1,480</b>	<b>1,339</b>	<b>141</b>	<b>11%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(17)	(18)	1	(8%)
- Finance & Billing	(12)	(46)	34	(74%)
- General Management	(19)	(74)	55	(75%)
- Outpayments	-	-	-	-
- Bad Debts	(1)	-	(1)	-
- Back Office Support	(8)	(6)	(2)	37%
- Other Costs	(51)	(121)	70	(58%)
<b>Sub total operating expenditure</b>	<b>(107)</b>	<b>(264)</b>	<b>157</b>	<b>(59%)</b>
Depreciation				
- Duct	(1)	(1)	(0)	6%
- Copper	-	-	-	-
- Fibre	(15)	(31)	16	(51%)
- Transmission	-	-	-	-
- Exchange	(3)	-	(3)	-
- Other	(60)	(405)	345	(85%)
CCA adjustments:				
Holding gain	20	35	(15)	(42%)
Supplementary depreciation	(5)	(11)	6	(55%)
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(171)</b>	<b>(677)</b>	<b>506</b>	<b>(75%)</b>
<b>Return</b>	<b>1,308</b>	<b>662</b>	<b>646</b>	<b>98%</b>
<b>MCE</b>	<b>1,015</b>	<b>1,646</b>	<b>(631)</b>	<b>(38%)</b>

## RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2020

	2020 %	2019 %
<b>Return on mean capital employed</b>	129.0%	40.2%

## KCOM Wholesale ISDN 30 Exchange Line Services in the Hull Area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	16	32	(16)	(49%)
- Duct	36	42	(6)	(14%)
- Fibre	139	142	(3)	(2%)
- Copper	-	-	-	-
- Transmission	-	-	-	-
- Exchange	30	43	(13)	(31%)
- Other	612	1,231	(619)	(50%)
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>833</b>	<b>1,490</b>	<b>(657)</b>	<b>(44%)</b>
<b>Current assets</b>				
Stocks	12	39	(27)	(69%)
Debtors				
- internal	102	91	11	12%
- external	73	67	6	9%
Cash	-	-	-	-
<b>Total current assets</b>	<b>187</b>	<b>197</b>	<b>(10)</b>	<b>(5%)</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(6)	(41)	35	(85%)
<b>Total creditors: amounts falling due within one year</b>	<b>(6)</b>	<b>(41)</b>	<b>35</b>	<b>(85%)</b>
<b>Net current assets</b>	<b>181</b>	<b>156</b>	<b>25</b>	<b>16%</b>
<b>Total assets less current liabilities</b>	<b>1,015</b>	<b>1,646</b>	<b>(631)</b>	<b>(38%)</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>1,015</b>	<b>1,646</b>	<b>(631)</b>	<b>(38%)</b>

## Regulatory Financial Review (KCOM)

### KCOM Wholesale ISDN 2 Exchange Line Services in the Hull Area

The ISDN2 market provides ISDN2 lines predominantly to businesses within the Hull regulatory area.

#### Number of Lines or Circuits

2014/15		2015/16		2016/17		2017/18		2018/19		2019/20
4,876	-15%	4,154	2%	4,253	-23%	3,289	-13%	2,875	-39%	1,750

Following industry trends, ISDN 2 circuits continued their decline in the year and have now declined by a compound 19% p.a. over the past six years. Scheduled for withdrawal in 2025, these legacy circuits are being superseded by FTTP/C high bandwidth connectivity, with take-up of the latter, in conjunction with client lifecycle decisions on termination of legacy applications such as PBX, driving increasing substitution over time.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Wholesale products in this market are the historic 'retail minus' products and their equivalents provided under the Wholesale Line Rental Reference Offer launched during December 2018.

External wholesale prices for the 'retail minus' products did not change in the year. Transfer prices for both periods under review are based upon the Reference Offer pricing established and published during December 2018.

Revenue has declined by 25% driven by the reduction of lines.

Overall costs have decreased, driven by lower depreciation costs reflecting a greater proportion of fully depreciated assets which are still being used to deliver services.

## KCOM Wholesale ISDN 2 Exchange Line Services in the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change Year on Year	£k Change Year on Year
<b>Turnover</b>				
Internal Sales	256	431	(175)	(41%)
External Sales	269	268	1	0%
<b>Total Turnover</b>	<b>525</b>	<b>699</b>	<b>(174)</b>	<b>(25%)</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(28)	(25)	(3)	13%
- Finance & Billing	(5)	(11)	6	(53%)
- General Management	(9)	(18)	9	(48%)
- Outpayments	-	-	-	-
- Bad Debts	(1)	-	(1)	
- Back Office Support	(9)	(8)	(1)	7%
- Other Costs	(35)	(59)	24	(41%)
<b>Sub total operating expenditure</b>	<b>(87)</b>	<b>(121)</b>	<b>34</b>	<b>(28%)</b>
Depreciation				
- Duct	(0)	(1)	1	(54%)
- Copper	(14)	(20)	6	(28%)
- Fibre	-	-	-	-
- Transmission	-	-	-	-
- Exchange	(3)	(3)	0	(16%)
- Other	(14)	(99)	85	(86%)
CCA adjustments:				
Holding gain	6	12	(6)	(48%)
Supplementary depreciation	(6)	(10)	4	(39%)
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(118)</b>	<b>(242)</b>	<b>124</b>	<b>(51%)</b>
<b>Return</b>	<b>407</b>	<b>457</b>	<b>(50)</b>	<b>(11%)</b>
<b>MCE</b>	<b>366</b>	<b>605</b>	<b>(239)</b>	<b>(40%)</b>

## RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2020

	2020 %	2019 %
<b>Return on mean capital employed</b>	<b>111.2%</b>	<b>75.5%</b>

## KCOM Wholesale ISDN 2 Exchange Line Services in the Hull Area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	7	11	(4)	(35%)
- Duct	16	24	(8)	(35%)
- Fibre	-	-	-	-
- Copper	128	199	(71)	(35%)
- Transmission	-	-	-	-
- Exchange	23	34	(11)	(33%)
- Other	86	227	(141)	(62%)
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>260</b>	<b>495</b>	<b>(235)</b>	<b>(48%)</b>
<b>Current assets</b>				
Stocks	5	9	(4)	(44%)
Debtors				
- internal	21	35	(14)	(40%)
- external	83	76	7	9%
Cash	-	-	-	-
<b>Total current assets</b>	<b>109</b>	<b>120</b>	<b>(11)</b>	<b>(9%)</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(3)	(10)	7	(73%)
<b>Total creditors: amounts falling due within one year</b>	<b>(3)</b>	<b>(10)</b>	<b>7</b>	<b>(73%)</b>
<b>Net current assets</b>	<b>106</b>	<b>110</b>	<b>(4)</b>	<b>(4%)</b>
<b>Total assets less current liabilities</b>	<b>366</b>	<b>605</b>	<b>(239)</b>	<b>(40%)</b>
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>366</b>	<b>605</b>	<b>(239)</b>	<b>(40%)</b>

## Regulatory Financial Review (KCOM)

### KCOM Wholesale Call Origination on a Fixed Narrowband Network in the Hull Area

The call origination market includes the origination of local, fixed-to-mobile, national (e.g. 01/02/03 numbers), number translation services and international calls.

#### Number of minutes

	2014/15		2015/16		2016/17		2017/18		2018/19		2019/20
Minutes (Billions)	0.52	-10%	0.47	-10%	0.42	-14%	0.36	-9%	0.33	1%	0.33

Call origination volumes over fixed lines have fallen at a compound rate of 9% over the past five years. This decline is industry wide and driven by the increasing diversity of communications media, notably substitution by mobile voice and IP based traffic.

During the year there was a restructuring of the business, resulting in the creation of a number of new teams and cost centres. In addition, an improvement in the regulatory costing model was made to use cost details at a more granular level to classify costs within the RFS statements. Underlying cost allocation methodologies were not altered. As a result staff costs are more accurately classified for 2020 but costs within individual cost classifications may not be directly comparable with 2019, but are at a total level.

Wholesale products in this market have been listed under the Reference Offers in the period under review. External wholesale call origination pricing did not change in the year.

Revenue has declined by 2% reflecting a reduction in the average reference offer price.

Operating costs are broadly in line year on year. Depreciation has increased due to the investment in asset upgrades.

## KCOM Wholesale Call Origination on a Fixed Narrowband Network in the Hull Area

### CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2020

	£k 2020	£k 2019	<i>£k Change Year on Year</i>	<i>£k Change Year on Year</i>
<b>Turnover</b>				
Internal Sales	1,717	1,706	11	1%
External Sales	215	269	(54)	(20%)
<b>Total Turnover</b>	<b>1,932</b>	<b>1,975</b>	<b>(43)</b>	<b>(2%)</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(472)	(421)	(51)	12%
- Finance & Billing	(124)	(135)	11	(8%)
- General Management	(227)	(219)	(8)	4%
- Outpayments	-	-	-	-
- Bad Debts	0	-	0	0%
- Back Office Support	(14)	(135)	121	(90%)
- Other Costs	(850)	(744)	(106)	14%
<b>Sub total operating expenditure</b>	<b>(1,686)</b>	<b>(1,654)</b>	<b>(32)</b>	<b>2%</b>
Depreciation				
- Duct	(0)	-	(0)	-
- Copper	-	-	-	-
- Fibre	(0)	-	(0)	-
- Transmission	(2)	(2)	(0)	3%
- Exchange	(141)	(116)	(25)	22%
- Other	(148)	(126)	(22)	18%
CCA adjustments:				
Holding (gain) / loss	149	58	91	156%
Supplementary depreciation	(36)	(28)	(8)	27%
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(1,865)</b>	<b>(1,868)</b>	<b>3</b>	<b>(0%)</b>
<b>Return</b>	<b>67</b>	<b>107</b>	<b>(40)</b>	<b>(38%)</b>
<b>MCE</b>	<b>4,836</b>	<b>3,590</b>	<b>1,246</b>	<b>35%</b>

### RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2020

	2020 %	2019 %
<b>Return on mean capital employed</b>	1.4%	3.0%



## KCOM Wholesale Call Origination on a Fixed Narrowband Network in the Hull Area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

Wholesale Call Origination  
for the year ended 31 March 2020

	£k 2020	£k 2019	£k Change	% Change
<b>Fixed assets</b>				
Tangible fixed assets				
- Land & Buildings	282	254	28	11%
- Duct	-	-	-	-
- Fibre	-	-	-	-
- Copper	-	-	-	-
- Transmission	14	6	8	139%
- Exchange	3,555	1,892	1,663	88%
- Other	712	1,224	(512)	(42%)
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>4,563</b>	<b>3,376</b>	<b>1,187</b>	<b>35%</b>
<b>Current assets</b>				
Stocks	129	117	12	10%
Debtors				
- internal	141	140	1	1%
- external	66	77	(11)	(14%)
Cash	-	-	-	-
<b>Total current assets</b>	<b>336</b>	<b>334</b>	<b>2</b>	<b>1%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(63)	(120)	2	(2%)
<b>Total creditors: amounts falling due within one year</b>	<b>(63)</b>	<b>(120)</b>	<b>57</b>	<b>(48%)</b>
<b>Net current assets</b>	<b>273</b>	<b>214</b>	<b>59</b>	<b>28%</b>
Total assets less current liabilities	4,836	3,590	1,246	35%
Provisions for liabilities and charges	-	-	-	-
<b>Closing capital employed</b>	<b>4,836</b>	<b>3,590</b>	<b>1,246</b>	<b>35%</b>

## Notes to the Regulatory Financial Statements including accounting policies

### 1. STATUTORY FINANCIAL STATEMENTS

These Financial Statements, which are not statutory accounts within the meaning of the Companies Act 2006, have been prepared on the basis described in the Description of Cost Accounting System (DoCAS) dated 25 May 2021. The statutory financial statements for KCOM Limited, for the year ended 31 March 2020 have been prepared, on which the auditors issued an unqualified report.

### 2. ACCOUNTING POLICIES

Summarised below are the principal accounting policies which have been consistently applied throughout the current and prior financial year.

#### Basis of preparation

These financial statements have been prepared on the basis described in the Description of Cost Accounting System dated 25 May 2021. This special reporting framework is specific to these financial statements and does not represent a financial reporting framework established by an authorised or recognised standard setting organisation.

Current cost profit is derived firstly by arriving at historical cost profit/(loss) in each of the businesses. Then an adjustment is made for current cost depreciation, to result in current cost retained profit/(loss). Finally, unrealised holding gains/(losses) and realised holding gains/(losses) are calculated to result in holding gains/(losses) on fixed assets. This calculation is added onto current cost retained profit/(loss), to result in amount retained.

In the current cost balance sheet, each Business's assets are restated at their value to the Business, using their net current replacement cost.

Wholesale services used internally and externally are costed using the same network components and allocated using the same usage factors.

#### Turnover

The Group's product and service offerings include service only contracts, product only contracts and contracts which combine the provision of equipment and services as described in more detail below. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services supplied, stated net of discounts, returns and value-added taxes. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

#### *Standalone service offerings*

The Group offers a range of fixed telephone, internet access and hosting services. Service revenue is recognised as the service is provided, based on usage (e.g. minutes of traffic or bytes of data used) or the period (e.g. monthly service costs). Service obligations which are substantially the same and have the same pattern of transfer to the customer are treated as a single performance obligation.

Service only offerings may include an initial service connection fee. In general, this is not deemed to be a separate performance obligation and thus the connection fee is deferred as a contract liability and recognised over the enforceable term of the contract.

The Group also generates revenue for the sale of advertising space both online and in a paper directory distributed to consumers. Revenue from the sale of advertising space in the paper directory is recognised at the point in time that the directory is delivered to the consumers. Revenue from online advertising is recognised over time as the advert is available online.

#### *Standalone product sales*

Equipment sales may be separate from, or bundled with, a service offer. When equipment sales are separate to a service offer, the amount invoiced is recognised in revenue upon delivery of the equipment, at the point that control is deemed to transfer to the customer.

#### *Bundled equipment and service offerings*

The Group often enters into contracts with customers which comprise equipment (e.g. a router) and services (e.g. an internet access contract).

Equipment revenue is recognised separately if the two components are deemed to be distinct (i.e. the customer can benefit from each component of the contract separately). Where one of the components is provided at a reduced selling price, revenue is allocated to each component in proportion to their individual selling prices.

## Notes to the Regulatory Financial Statements including accounting policies (continued)

### Tangible fixed assets

Tangible fixed assets are recorded at current cost. Depreciation is provided so as to write off the current cost of assets to residual values on a straight-line basis over the assets' useful estimated lives as follows:

- Freehold buildings - 40 years
- Leasehold buildings and improvements - Period of lease
- Exchange equipment - 10 years
- External plant - 10 to 40 years
- Vehicles, other apparatus and equipment - 3 to 10 years
- Freehold land is not depreciated

Depreciation of network infrastructure and related equipment is provided for from the date the network comes into operation.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

The residual value of the asset, if significant, is reassessed annually.

### Stocks

Stocks, stores and work-in-progress are valued at the lower of cost or net realisable value. Cost is determined using the weighted average method. Cost includes raw materials and, where appropriate, direct overhead expenses. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Provision is made for obsolete, slow moving or defective items where appropriate.

## Notes to the Regulatory Financial Statements including accounting policies (continued)

### Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises.

### Leases

On 1 April 2019 the Company transitioned to IFRS 16 'Leases', a new accounting standard that supercedes IAS 17 'Leases'. Upon transition, the modified retrospective approach was adopted, along with certain practical expedients as detailed in Note 2 of the KCOM Group Limited 2020 Annual Report. IFRS 16 removes the distinction between an operating and finance lease and substantially changes the accounting for lessees.

Upon transition and on inception of a new lease, a 'lease liability' is recognised in the balance sheet. The lease liability is measured at the present value of minimum lease payments, discounted using the Company's incremental borrowing rate. A 'right of use asset' is also recognised, typically at an amount equal to the lease liability.

The right of use asset is depreciated over the life of the lease and interest is recognised based on the incremental borrowing rate. This replaces the straight line expense typically seen for operating leases.

All Right of Use assets and associated liabilities are associated with the part of the KCOM business outside of the regulated Hull area and are therefore excluded from the RFS statements for those markets.

### Pensions

During the year the Company operated three primary pension schemes covering the pension arrangements of eligible employees. One of these schemes operates on the defined contribution (money purchase) principle and for this scheme the pension cost charged represents the contributions payable. The other schemes provide members with defined benefits based on final pensionable salary. The overall long term costs of providing pensions for employees who are members of this scheme are charged against profits evenly over the expected working lives of the members. The contributions are assessed in accordance with the advice of a qualified actuary based on actuarial valuations normally conducted every three years. The relevant benefits promises are funded in advance and the assets of the schemes are held in separate trustee administered funds.

### Employee share schemes

The cost of award of shares, or share options, to employees is recognised as an operating expense over the period of the employee's performance which relates to the award. The cost of award is calculated based on the difference between the share or option exercise price and the market value of the shares at the date of grant of the award. In the case of the Company's performance related schemes, the cost is based on actual performance to date relative to the performance targets dictated under the rules of the relevant scheme. Where the Company purchases shares to settle a particular award of share options the cost is limited to the price of the shares purchased. To the extent an amount greater than the pro-rated purchase price of such shares has been expensed prior to the date of the purchase then the excess expense is credited to the profit and loss account in the period of the purchase.

### 3. INTER BUSINESS BALANCES

The Balance Sheet statements for the Businesses include balances relating to the charges from the Wholesale business to the Retail business assuming a 30 day payment cycle.

Charges by the Wholesale Business to the Retail Business and Other Licenced Operators (OLO's) are made on the basis of Reference Offer prices for the relevant products where available.

## KCOM Reconciliation Statement

### Consolidated profit and loss account

for the year ended 31 March 2020

Market/Area	Turnover £k	Operating Costs £k	HCA Return or Profit before taxation £k	Holding gain/(loss) and other Adjustments £k	Supplementary depreciation £k	CCA Return or Profit Before Taxation £k
Wholesale SMP Markets	63,571	(37,615)	25,956	3,402	(1,789)	27,569
	-	-	-	-	-	-
<u>Residual activities</u>	-	-	-	-	-	-
- Wholesale residual activities	7,069	(9,200)	(2,131)	253	(94)	(1,972)
- Retail residual activities	254,615	(280,678)	(26,063)	2,048	(1,128)	(25,142)
<b>Total</b>	<b>325,255</b>	<b>(327,493)</b>	<b>(2,238)</b>			
<b>Adjustments (as necessary)</b>						
Elimination of Inter Business turnover and costs	(62,408)	62,408	-			
Other operating income	-	-	-			
Goodwill	-	-	-			
Group's share of profits of associates and joint ventures	-	-	16			
Profit on sale of fixed asset investments	-	-	-			
Profit on sale of Group undertakings	-	-	-			
Amounts written off investments	-	-	-			
Profit on sale of property fixed assets before exceptional items	-	-	-			
Profit on sale of property fixed assets	-	-	-			
Net short term interest payable	-	-	-			
Long term interest payable	-	-	(6,904)			
Rounding differences	-	-	(1)			
<b>As per the KCOM Limited Annual Report (page 47)</b>	<b>262,847</b>	<b>(265,085)</b>	<b>(9,126)</b>			

## KCOM Reconciliation Statement

### Consolidated profit and loss account

for the year ended 31 March 2019

Market/Area	Turnover £k	Operating Costs £k	HCA Return or Profit before taxation £k	Holding gain/(loss) and other Adjustments £k	Supplementary depreciation £k	CCA Return or Profit Before Taxation £k
Wholesale SMP Markets	58,695	(37,449)	21,246	2,314	(1,606)	21,954
<u>Residual activities</u>						
- Wholesale residual activities	6,679	(8,445)	(1,766)	97	(59)	(1,728)
- Retail residual activities	275,647	(323,949)	(48,302)	2,199	(1,464)	(47,567)
<b>Total</b>	<b>341,021</b>	<b>(369,843)</b>	<b>(28,822)</b>			
<b>Adjustments (as necessary)</b>						
Elimination of Inter Business turnover and costs	(59,383)	59,383	-			
Other operating income	-	-	-			
Goodwill	-	-	-			
Group's share of profits of associates and joint ventures	-	-	16			
Profit on sale of fixed asset investments	-	-	-			
Profit on sale of Group undertakings	-	-	-			
Amounts written off investments	-	-	-			
Profit on sale of property fixed assets before exceptional items	-	-	-			
Profit on sale of property fixed assets	-	-	-			
Net short term interest payable	-	-	-			
Long term interest payable	-	-	(2,837)			
Rounding differences	(1)	1	-			
<b>As per the KCOM Limited Annual Report (page 47)</b>	<b>281,637</b>	<b>(310,459)</b>	<b>(31,643)</b>			

## KCOM Reconciliation Statement

Consolidated mean capital employed for the year ended 31 March 2020	2020 £k	2019 £k
<b>Consolidated mean capital employed</b>		
Shareholders' funds as per the KCOM Limited Annual Report (page 49)	59,753	45,151
<b>CCA Adjustments</b>	<b>33,937</b>	<b>31,536</b>
<b>Adjustments</b>		
Investments	(78)	(63)
Retirement benefit asset	(38,764)	(5,924)
Deferred tax assets	(5,811)	(4,539)
Finance leases	14,086	418
Provisions for other liabilities and charges (short)	3,580	182
Bank loans	-	114,129
Loans from related parties	148,661	2,378
Retirement benefit obligation	-	9,109
Deferred tax liabilities	16,589	-
Finance leases long term	32,875	3,160
Provisions for other liabilities and charges	3,944	-
Other differences	1	1
<b>Closing CCA capital employed at 31 March</b>	<b>268,773</b>	<b>195,538</b>
<b>Opening CCA capital employed as 1 April</b>	<b>195,538</b>	<b>234,171</b>
Adjustment to opening CCA Capital employed at 1 April	(280)	(9,754)
Revised Opening CCA Capital Employed at 1 April	195,258	224,417
<b>Average CCA Capital employed</b>	<b>232,016</b>	<b>209,978</b>
Daily averaging adjustment	-	-
Deferred Costs	-	-
<b>Total CCA Mean capital employed</b>	<b>232,016</b>	<b>209,978</b>
Mean Capital employed of SMP Markets		
Wholesale Local Access	-	-
Wholesale Broadband Access	88,903	88,590
Wholesale Low Bandwidth TISBO	2,156	4,322
Wholesale CISBO	13,583	9,169
Wholesale Analogue Exchange Lines	32,464	30,087
Wholesale ISDN30	1,015	1,646
Wholesale ISDN2	366	606
Wholesale Call Origination	4,836	3,590
<b>Sub total markets</b>	<b>143,322</b>	<b>138,010</b>
<u>Residual activities</u>		
- Wholesale residual activity	8,695	5,715
- Retail residual activity	79,999	66,253
<b>Total CCA Mean capital employed</b>	<b>232,016</b>	<b>209,978</b>