



KCOM Group PLC

**Regulatory Financial Statements
for the year ended 31 March 2015**

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Note:

By market, the following statements are presented

- Regulatory financial review
- Wholesale market current cost profit and loss account
- Wholesale market statement of current cost mean capital employed
- Market statement of costs on a current cost basis, network activity statement (as applicable)

Directors' Statement of Responsibility

The board of directors of KCOM Group PLC 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."

Each financial statement :

- 1 includes
 - A regulatory financial review
 - A current cost profit and loss account
 - A statement of current cost mean capital employed
 - A network activity statement (if applicable)
- 2 is prepared in accordance with the Description of Cost Accounting Systems (the "DOCAS") dated 24th July 2015
- 3 is reconciled with the Annual Report and Accounts of KCOM Group PLC and that reconciliation is demonstrated and explained

The directors confirm that the Financial Statements for the year ended 31 March 2015 have been prepared in accordance with the requirements of the relevant conditions.



P Simpson

Chief Financial Officer

24 July 2015

Independent Auditors' report to the Office of Communications ("Ofcom", referred to as the "Regulator") and KCOM Group PLC

Report on the Regulatory Financial statements

Our opinion

In our opinion, KCOM Group PLC's Regulatory Financial statements (the "Regulatory Financial statements"):

- fairly present, in accordance with the Description of Cost Accounting System dated 24 July 2015 and the accounting policies set out on pages 47 to 49, the results and capital employed by each of the markets for the year ended 31 March 2015; and
- have been properly prepared in accordance with "The regulatory financial reporting obligations on BT and Kingston Communications" published by Ofcom on 22 July 2004 ("the Obligations") and the accounting policies.

Basis of preparation

In forming our opinion on the Regulatory Financial statements, which is not modified, we draw attention to the Statement of Accounting Policies which describes the basis of preparation of the Regulatory Financial statements. The Regulatory Financial statements are separate from the statutory financial statements of the Company and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRSs"). Financial information other than that prepared on the basis of IFRSs does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with the Companies Act 2006.

What we have audited

KCOM Group PLC's Regulatory Financial statements comprise:

- the statement of current cost mean capital employed for each market as at 31 March 2015;
- the current cost profit and loss account for each market for the year then ended; and
- the accounting policies and the related notes.

The financial reporting framework that has been applied in their preparation comprises the basis of preparation and accounting policies set out in the Statement of Accounting Policies.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Matters on which we are required to report by exception

Under the Obligations, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us;
- the Regulatory Financial statements are not in agreement with the accounting records and returns;
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility.

Our responsibilities and those of the Directors and the Regulator

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the Regulatory Financial statements and for their fair presentation in accordance with the basis of preparation and accounting policies. Our responsibility is to audit and express an opinion on the Regulatory Financial statements in accordance with ISAs (UK & Ireland), except as stated in the 'What an audit of Regulatory Financial statements involves' section below, and having regard to the guidance contained in Audit 05/03 'Reporting to Regulators of Regulated Entities' issued by the Institute of Chartered Accountants in England and Wales. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report is made, on terms that have been agreed, solely to the Company and the Regulator in order to meet the requirements set out in the Obligations. Our audit work has been undertaken so that we might state to the Company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Obligations to procure such a report and (b) to facilitate the carrying out by the Regulator of its regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Regulator, for our audit work, for this report or for the opinions we have formed.

What an audit of Regulatory Financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Financial statements sufficient to give reasonable assurance that the Regulatory Financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the Regulatory Financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the Regulatory Financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Regulatory Financial Statements to identify material inconsistencies with the audited Regulatory Financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

However, we have not assessed whether the accounting policies are appropriate to the circumstances of the Company where these are laid down by the Obligations. Where the Obligations do not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Financial statements are consistent with those used in the preparation of the statutory financial statements of KCOM Group PLC. Furthermore, as the nature, form and content of Regulatory Financial statements are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information.

Many of the Company's revenues, costs, assets and liabilities are not directly identifiable with individual businesses, and the preparation of the Regulatory Financial statements requires a significant number of apportionments. The principal methods and bases of apportionment are described in the Description of Cost Accounting System and the Regulatory Financial statements should be read in connection herewith. As explained on page 47 in the "Basis of preparation", in selecting appropriate attribution models employed in the production of the Regulatory Financial statements, the Company has had to make certain estimates and exercise its judgement, having regard to the Description of Cost Accounting System, including cost causality and objectivity, in order to comply with the requirements of the Description of Cost Accounting System. The company has informed Ofcom that attribution methods and non-financial data sources will be subject to ongoing review and, where deemed appropriate, improvement. We have not considered the appropriateness of the methods of attribution adopted in preparing the Regulatory Financial statements.

Other matters

The nature, form and content of Regulatory Financial statements are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

Our opinion on the Regulatory Financial statements is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2015 on which we reported on 17 June 2015, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors,
Leeds
24th July 2015

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.

Kingston Wholesale Markets Consolidation Statement

Consolidated Total - For all Wholesale Markets where cost accounting and/or accounting separation obligations apply

CURRENT COST PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	29,765	95%	30,040	95%	-1%
External Sales	1,698	5%	1,726	5%	-2%
Total Turnover	31,463	100%	31,766	100%	-1%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	11,344	65%	11,050	60%	3%
- Provision & Installation	34	0%	36	0%	-5%
- Outpayments	67	0%	38	0%	76%
- Depreciation	4,934	28%	5,834	32%	-15%
- Other Costs	1,166	7%	1,347	7%	-13%
Sub total operating expenditure	17,545	100%	18,304	100%	-4%
CCA adjustments:					
Holding gain	82		(258)		-132%
Supplementary depreciation	2,556		2,630		-3%
Total operating costs	20,183		20,677		-2%
Return	11,280		11,089		2%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2015	2015		2014		%
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	36%		35%		1%

Kingston Wholesale Markets Consolidation Statement

Consolidated Total - For all Wholesale Markets where cost accounting and/or accounting separation obligations apply

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	3,945	4,122	-4%
- Duct	43,507	42,059	3%
- Transmission Equipment	33,088	33,555	-1%
- Exchange Equipment	2,399	1,668	44%
- Other	1,077	1,184	-9%
Total fixed assets	84,016	82,587	2%
Current assets			
Stocks	1,495	2,378	-37%
Debtors			
- internal	3,050	3,078	-1%
- external	118	124	-5%
Total current assets	4,663	5,580	-16%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(1,612)	(1,681)	-4%
Total creditors: amounts falling due within one year	(1,612)	(1,681)	-4%
Net current assets	3,052	3,899	-22%
Total assets less current liabilities	87,068	86,486	1%
Closing capital employed	87,068	86,486	1%

Kingston Fixed narrowband wholesale exchange line, call origination, conveyance and transit markets

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	24,022	94%	24,496	94%	-2%
External Sales	1,417	6%	1,476	6%	-4%
Total Turnover	25,439	100%	25,971	100%	-2%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	7,401	60%	7,306	57%	1%
- Provision & Installation	34	0%	36	0%	-5%
- Outpayments	67	1%	38	0%	76%
- Depreciation	3,730	30%	4,117	32%	-9%
- Other Costs	1,101	9%	1,271	10%	-13%
Sub total operating expenditure	12,333	100%	12,768	100%	-3%
CCA adjustments:					
Holding gain	(183)		(159)		15%
Supplementary depreciation	2,768		2,949		-6%
Total operating costs	14,918		15,558		-4%
Return	10,520		10,414		1%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2015	2015		2014		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	41%		40%		1%

Kingston Fixed narrowband wholesale exchange line, call origination, conveyance and transit markets

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	3,476	3,651	-5%
- Duct	41,096	39,543	4%
- Transmission Equipment	32,273	32,756	-1%
- Exchange Equipment	1,359	1,006	35%
- Other	291	433	-33%
Total fixed assets	78,496	77,388	1%
Current assets			
Stocks	1,206	1,858	-35%
Debtors			
- internal	2,461	2,510	-2%
- external	118	124	-5%
Total current assets	3,785	4,492	-16%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(1,133)	(1,173)	-3%
Total creditors: amounts falling due within one year	(1,133)	(1,173)	-3%
Net current assets	2,652	3,319	-20%
Total assets less current liabilities	81,149	80,708	1%
Closing capital employed	81,149	80,708	1%

Regulatory Financial Review

Kingston Wholesale Market : 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 regulatory area. Line numbers declined a further 2% over 2014/15 as fixed line voice services are substituted by alternative communications including IP and mobile.

Number of Lines or Circuits

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
185,338	-1%	182,560	-2%	178,031	0%	178,496	-2%	175,690	-2%	171,994

Internal revenue has remained stable at £22.2m (2013/14 : £22.7m).

External wholesale revenue of £0.6m (2013/14 : £0.6m) reflects a 6% increase in the contribution from reseller customers within the Hull area. Reseller analogue line take-up has not increased markedly from year to year, potentially reflecting the level of interest in a declining market.

Operating costs have remained stable year on year :

HCA maintenance costs increased £0.1m (2%) year on year, reflecting cost allocation relative to other products utilising similar components. Depreciation charges decreased £0.3m (8%) and other costs have declined 12%.

CCA Adjustments : These have been of similar magnitude to the previous year. The overall impact of the CCA movements is an decrease in cost base of £0.3m on the prior year.

Mean capital employed has increased by £1.3m (2%) despite closing capital reducing year on year through reductions in stock held (£0.6m / 35%).

Overall unit costs per line have remained stable.

Kingston Wholesale Market : Analogue Exchange Line Services in the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	22,199	97%	22,716	97%	-2%
External Sales	630	3%	592	0%	6%
Total Turnover	22,829	100%	23,308	100%	-2%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	6,351	61%	6,231	58%	2%
- Provision & Installation	10	0%	10	0%	1%
- Outpayments	67	1%	38	0%	77%
- Depreciation	3,108	30%	3,388	32%	-8%
- Other Costs	915	9%	1,042	10%	-12%
Sub total operating expenditure	10,450	100%	10,709	100%	-2%
CCA adjustments:					
Holding gain	(195)		(166)		17%
Supplementary depreciation	2,713		3,037		-11%
Total operating costs	12,968		13,580		-5%
Return	9,861		9,728		1%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	43%	42%	1%

Kingston Wholesale Market : Analogue Exchange Line Services in the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	1,700	1,747	-3%
- Duct	39,645	38,303	4%
- Transmission Equipment	31,564	31,923	-1%
- Exchange Equipment	575	336	71%
- Other	123	178	-31%
Total fixed assets	73,608	72,487	2%
Current assets			
Stocks	1,117	1,715	-35%
Debtors			
- internal	2,274	2,327	-2%
- external	65	61	6%
Total current assets	3,456	4,103	-16%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(960)	(984)	-2%
Total creditors: amounts falling due within one year	(960)	(984)	-2%
Net current assets	2,496	3,119	-20%
Total assets less current liabilities	76,104	75,606	1%
Closing capital employed	76,104	75,606	1%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2015

Analogue Exchange Lines

Fully Allocated Cost	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	Volume (No. of Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	913	(05)	(18)	890	1,866	13%	243	1,133	171,994	£6.59
Exchange-exchange transmission length	185	55	(4)	236	1,440	13%	187	423	171,994	£2.46
PPP for narrowband call services	915	-	-	915	-	13%	-	915	171,994	£5.32
Local Loop Infrastructure	8,437	2,662	(172)	10,927	72,550	13%	9,431	20,358	171,994	£118.36
Totals	10,450	2,713	(195)	12,968	75,855		9,861	22,829		£132.73
Network Activity Statement for year ended 31st March 2014										
Prior year Exchange concentrator	958	(54)	102	1,006	1,690	13%	220	1,226	175,690	£6.98
Prior year Exchange-exchange transmission length	191	63	(9)	245	1,403	13%	182	427	175,690	£2.43
PPP for narrowband call services	1,042	-	-	1,042	-	13%	-	1,042	175,690	£5.93
Local Loop Infrastructure	8,517	3,028	(259)	11,287	71,800	13%	9,334	20,621	175,690	£117.37
Totals	10,709	3,037	(166)	13,580	74,893		9,736	23,316		£132.71

Regulatory Financial Review

Kingston Wholesale Market : ISDN 2 Exchange Line Services in the Hull Area

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

ISDN 2 circuits continued their decline in 2014/15 and now exhibit a compound annual decline of 10% over the past six years. These are legacy circuits and 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, to drive increasing substitution over time.

Number of Lines or Circuits

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
4,073	-14%	3,494	9%	3,795	-8%	3,481	-13%	3,012	-19%	2,438

Overall revenue has declined £0.1m (16%) year on year with the fall in internal revenue being partially offset by the 6% increase in revenue driven by reseller activity.

Operating costs have declined by 18% year on year.

The significant reduction in circuit numbers has offset the decline in operating costs and associated reduction in the allocated capital base associated with ISDN 2 to influence unit costs.

Unit circuit costs have increased by 3% year on year to £195 p.a.

Kingston Wholesale Market : ISDN 2 Exchange Line Services in the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	258	54%	363	64%	-29%
External Sales	218	46%	206	36%	6%
Total Turnover	476	100%	569	100%	-16%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	146	54%	165	51%	-12%
- Provision & Installation	3	1%	3	1%	-12%
- Depreciation	92	34%	120	37%	-24%
- Other Costs	27	10%	37	12%	-27%
Sub total operating expenditure	267	100%	325	100%	-18%
CCA adjustments:					
Holding gain	(3)		0		-2672%
Supplementary depreciation	45		53		-16%
Total operating costs	309		378		-18%
Return	167		190		-12%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	35%	33%	2%

Kingston Wholesale Market : ISDN2 Exchange Line Services in the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	74	88	-16%
- Duct	562	657	-14%
- Transmission Equipment	447	547	-18%
- Exchange Equipment	8	6	41%
- Other	18	35	-50%
Total fixed assets	1,109	1,333	-17%
Current assets			
Stocks	28	51	-45%
Debtors			
- internal	26	37	-29%
- external	22	21	6%
Total current assets	77	109	-30%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(25)	(30)	-18%
Total creditors: amounts falling due within one year	(25)	(30)	-18%
Net current assets	52	79	-34%
Total assets less current liabilities	1,161	1,412	-18%
Closing capital employed	1,161	1,412	-18%

Kingston Statement of Costs on a Current Cost Basis

**Network Activity Statement
for the year ended 31 March 2015**

ISDN 2 Lines

	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	Volume (No. of Lines)	Average costs per min/unit on a current cost basis relating to current year
Fully Allocated Cost										
Components										
Exchange concentrator	26	2-	(1)	27	3	13%	-	27	2,438	£11.21
Exchange-exchange transmission length	3	1		4	-	13%	-	4	2,438	£1.51
PPP for narrowband call services	16	-	-	16	-	13%	-	16	2,438	£6.39
Local Loop Infrastructure	223	41	(2)	263	1,284	13%	167	429	2,438	£176.16
Totals	267	45	(3)	309	1,287		167	476		£195.26
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	33	(1)	7	38	6	13%	1	39	3,012	£12.89
Exchange-exchange transmission length	3	1		5	-	13%	-	5	3,012	£1.61
PPP for narrowband call services	23	-	-	23	-	13%	-	23	3,012	£7.69
Local Loop Infrastructure	266	53	(7)	312	1,458	13%	190	502	3,012	£166.65
Totals	325	53	-	378	1,464		190	569		£188.84

Regulatory Financial Review

Kingston Wholesale Market : 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

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
1,178	2%	1,200	2%	1,228	0%	1,229	-1%	1,215	-3%	1,175

ISDN 30 circuit volumes declined for the second consecutive year in 2014/15, falling by 3% back to the numbers last seen in 2009/10. The expansion of FTTP (fibre to the premises) is increasingly impacting connectivity choices in this market and has driven some limited substitution during the reporting period.

Reseller activity has increased in this market with sales from external sources increasing 6% on 2013/14. Internal sales, driven by the return on mean capital employed, increased 1%. The overall cost base has been increased by a 5% rise in associated maintenance costs.

Unit circuit costs have increased by 6% year on year to £591 p.a. driven by a reduction in units sharing a fixed element of the dedicated cost base.

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	486	70%	479	71%	1%
External Sales	208	30%	196	29%	6%
Total Turnover	694	100%	676	100%	3%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	299	52%	285	49%	5%
- Provision & Installation	21	4%	23	4%	-7%
- Depreciation	194	34%	210	36%	-8%
- Other Costs	60	10%	68	12%	-12%
Sub total operating expenditure	574	100%	586	100%	-2%
CCA adjustments:					
Holding (gain) / loss	(5)		(8)		-37%
Supplementary depreciation	19		(5)		-491%
Total operating costs	588		573		3%
Return	106		103		3%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	15%	15%	0%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	161	163	-2%
- Duct	271	265	2%
- Transmission Equipment	235	245	-4%
- Exchange Equipment	4	2	69%
- Other	46	50	-8%
Total fixed assets	716	725	-1%
Current assets			
Stocks	60	92	-34%
Debtors			
- internal	50	49	1%
- external	21	20	6%
Total current assets	131	161	-18%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(53)	(54)	-2%
Total creditors: amounts falling due within one year	(53)	(54)	-2%
Net current assets	79	107	-27%
Total assets less current liabilities	795	833	-5%
Closing capital employed	795	833	-5%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2015

Business ISDN 30 Lines

Fully Allocated Cost	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	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	55	5	(3)	58	215	13%	28	86	1,175	£72.86
Exchange-exchange transmission link	-	(0)	-	-	-	13%	-	-	1,175	£0.02
Exchange-exchange transmission length	1	-	-	1	13	13%	2	3	1,175	£2.46
PPP for narrowband call services	60	-	-	60	-	13%	-	60	1,175	£50.78
Local Loop Infrastructure	458	15	(3)	470	586	13%	76	546	1,175	£464.55
Totals	574	19	(5)	588	814		106	694		£590.68
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	58	(3)	12	68	205	13%	27	94	1,215	£77.62
Exchange-exchange transmission link	-	(0)	-	-	-	13%	-	-	1,215	£0.02
Exchange-exchange transmission length	1	1	-	2	12	13%	2	3	1,215	£2.88
PPP for narrowband call services	68	-	-	68	-	13%	-	68	1,215	£56.01
Local Loop Infrastructure	458	(3)	(20)	435	574	13%	75	510	1,215	£419.97
Totals	586	(5)	(8)	573	791		103	676		£556.49

Regulatory Financial Review

Kingston Wholesale Market : Call Origination on Fixed Public Narrowband Networks 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, narrowband internet and international calls.

	2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
Minutes (Billions)	0.80	-5%	0.76	-6%	0.71	-8%	0.66	-8%	0.60	-14%	0.52

Call origination volumes continue to decline, currently averaging 14% p.a. , representing an industry wide trend which reflects the increasing diversity of communications media.

External call origination revenues incorporates Indirect Access plus calls generated by resellers. This element declined 25% over the reporting period.

Overall operating costs reduced by 9% but an offsetting CCA adjustment resulted in a largely unchanged return. In combination with the significant reduction in call volume, this has driven unit costs up 18% to 0.278 pence per minute.

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

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	1,079	75%	938	66%	15%
External Sales	361	25%	481	34%	-25%
Total Turnover	1,440	100%	1,419	100%	1%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	605	58%	625	54%	-3%
- Depreciation	337	32%	399	35%	-16%
- Other Costs	99	10%	123	11%	-20%
Sub total operating expenditure	1,041	100%	1,148	100%	-9%
CCA adjustments:					
Holding gain	20		15		33%
Supplementary depreciation	(08)		(137)		-94%
Total operating costs	1,053		1,026		3%
Return	386		393		-2%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	27%	28%	-1%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	1,542	1,653	-7%
- Duct	618	318	94%
- Transmission Equipment	26	40	-35%
- Exchange Equipment	772	662	17%
- Other	105	169	-38%
Total fixed assets	3,063	2,843	8%
Current assets			
Debtors			
- internal	111	96	15%
- external	10	23	-55%
Total current assets	121	119	2%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(96)	(105)	-9%
Total creditors: amounts falling due within one year	(96)	(105)	-9%
Net current assets	25	13	91%
Total assets less current liabilities	3,089	2,856	8%
Closing capital employed	3,089	2,856	8%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2015

Call origination on fixed public narrowband networks

Fully Allocated Cost	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	Volume ('000 Originating Call Minutes)	Average costs per min/unit (PPM) on a current cost basis relating to current year
Components										
Exchange concentrator	257	(63)	12	206	2,078	13%	270	476	517,706	0.0920
Exchange processor	449	2	2	453	171	13%	22	475	517,706	0.0918
Exchange-exchange transmission link	67	(13)	7	62	101	13%	13	75	517,706	0.0144
Exchange-exchange transmission length	81	66	(01)	146	621	13%	81	226	517,706	0.0437
National operator assistance	1	-	-	1	1	13%	-	1	517,706	0.0002
Emergency operator assistance	1	-	-	1	1	13%	-	1	517,706	0.0001
PPP for narrowband call services	186	-	-	186	-	13%	-	186	517,706	0.0359
Totals	1,041	(08)	20	1,054	2,972		386	1,440		0.2781
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	315	(120)	18	213	2,425	13%	315	529	602,322	0.0878
Exchange processor	499	2	(52)	449	116	13%	15	464	602,322	0.0770
Exchange-exchange transmission link	72	(78)	75	69	99	13%	13	82	602,322	0.0136
Exchange-exchange transmission length	53	59	(26)	86	384	13%	50	136	602,322	0.0226
National operator assistance	1	-	-	1	2	13%	-	1	602,322	0.0002
Emergency operator assistance	1	-	-	1	2	13%	-	1	602,322	0.0001
PPP for narrowband call services	208	-	-	208	-	13%	-	208	602,322	0.0345
Totals	1,148	(137)	15	1,027	3,027		394	1,420		0.2358

Regulatory Financial Review

Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area

The asymmetric broadband origination market comprises broadband internet access products available to both consumers and businesses in the Hull area. Business broadband products are now available for resale by other operators and this has assisted the acceleration of sales in the review period.

	2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
Circuit Nos	96,035	1%	96,895	5%	101,717	4%	105,808	7%	112,976	6%	119,623

Volumes have grown by 6% in 2014/15 and there has been substantial emphasis on eliminating sub 2Mb circuits so ensuring all areas of the city and surrounding areas receive fast broadband.

Costs associated with this market are independent of the local loop drivers most impacted by end premise connectivity. Investment has continued in the exchange asset base. Internal revenue, driven by return on the mean capital employed, exhibits an increase of 14% from the prior year.

Operating costs increased marginally year-on-year

Unit costs increased year on year to £26 p.a.

Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	2,789	91%	2,442	91%	14%
External Sales	281	9%	250	9%	12%
Total Turnover	3,070	100%	2,693	100%	14%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	2,163	76%	1,987	74%	9%
- Depreciation	663	23%	699	26%	-5%
- Other Costs	15	1%	16	1%	-7%
Sub total operating expenditure	2,841	100%	2,702	100%	5%
CCA adjustments:					
Holding gain	110		(103)		207%
Supplementary depreciation	(156)		(113)		38%
Total operating costs	2,795		2,487		12%
Return	275		206		34%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	9%	8%	1%

Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	1	1	7%
- Duct	1,246	1,165	7%
- Exchange Equipment	871	559	56%
- Other	151	166	-9%
Total fixed assets	2,269	1,891	20%
Current assets			
Stocks	17	28	-37%
Debtors			
- internal	286	250	14%
Total current assets	303	278	9%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(261)	(248)	5%
Total creditors: amounts falling due within one year	(261)	(248)	5%
Net current assets	42	30	42%
Total assets less current liabilities	2,311	1,921	20%
Closing capital employed	2,311	1,921	20%

Kingston Statement of Costs on a Current Cost Basis

**Network Activity Statement
for the year ended 31 March 2015**

Asymmetric Broadband Origination in the Hull Area

	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	Volume (No. of Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	186	(10)	-	176	139	13%	18	194	119,623	£1.62
Exchange-exchange transmission length	2,640	(145)	110	2,604	1,977	13%	257	2,861	119,623	£23.92
PPP for narrowband call services	15	-	-	15	-	13%	-	15	119,623	£0.13
Local Loop Infrastructure	1	-	-	1	-	13%	-	1	119,623	£0.01
Totals	2,841	(156)	110	2,795	2,116		275	3,070		£25.67
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	234	(10)	(0)	224	138	13%	18	242	112,976	£2.14
Exchange-exchange transmission length	2,451	(103)	(103)	2,246	1,451	13%	189	2,435	112,976	£21.55
PPP for narrowband call services	16	-	-	16	-	13%	-	16	112,976	£0.14
Local Loop Infrastructure	1	-	-	1	-	13%	-	1	112,976	£0.01
Totals	2,702	(113)	(103)	2,487	1,590		207	2,693		£23.84

Regulatory Financial Review (Kingston)

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & Including 8Mb/s Within the Hull Area

The market for the provision of traditional interface symmetric broadband origination includes point-to-point circuits between 64kb/s and 2 Mb/s. Circuit numbers in the sub 2Mb/s category have also been declining for some years but the increasing capabilities of ethernet and other IP services is increasing the pace of substitution and have led to a 26% decline in circuit numbers during the year.

Number of circuits

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
3,010	-3%	2,916	-3%	2,838	-6%	2,663	-13%	2,312	-26%	1,716

Revenues have declined £0.1m year on year driven by falling unit numbers. This market is likely to be susceptible to replacement by FTTP technology which, as it becomes more universal in its availability and, ultimately in a form supportive of point to point ethernet, is likely to hasten further the decline in the numbers of circuits, in particular the kiloline and kiloline n circuits .

HCA operating costs were 29% lower year on year

Average unit costs (per line per annum) increased to £346 p.a.

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & Including 8Mb/s Within the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	594	100%	657	100%	-10%
Total Turnover	594	100%	657	100%	-10%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	196	58%	253	52%	-22%
- Depreciation	118	35%	194	40%	-39%
- Other Costs	27	8%	35	7%	-24%
Sub total operating expenditure	340	100%	482	100%	-29%
CCA adjustments:					
Holding loss	(1)		8		-107%
Supplementary depreciation	29		(75)		-139%
Total operating costs	369		414		-11%
Return	225		243		-7%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	38%	37%	1%

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & Including 8Mb/s Within the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	230	235	-2%
- Duct	764	971	-21%
- Transmission Equipment	273	383	-29%
- Other	222	225	-1%
Total fixed assets	1,488	1,814	-18%
Current assets			
Stocks	37	79	-54%
Debtors			
- internal	61	67	-10%
Total current assets	98	147	-33%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(31)	(44)	-29%
Total creditors: amounts falling due within one year	(31)	(44)	-29%
Net current assets	66	102	-35%
Total assets less current liabilities	1,554	1,916	-19%
Closing capital employed	1,554	1,916	-19%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2015

Wholesale Traditional Interface Symmetric Broadband Origination (<= 8Mb)

	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	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	16	1	(3)	13	504	13%	66	79	1,716	£45.89
Exchange-exchange transmission length	1	-	(0)	1	9	13%	1	2	1,716	£1.37
PPP for narrowband call services	27	-	-	27	-	13%	-	27	1,716	£15.59
Local Loop Infrastructure	297	28	3	328	1,222	13%	159	486	1,716	£283.50
Totals	340	29	(1)	369	1,735		226	594		£346.35
Network Activity Statement for the year ended 31 March 2014										
Exchange concentrator	39	(8)	13	44	449	13%	58	103	2,312	£44.45
Exchange-exchange transmission length	1	-	(0)	2	10	13%	1	3	2,312	£1.24
PPP for narrowband call services	35	-	-	35	-	13%	-	35	2,312	£15.29
Local Loop Infrastructure	407	(68)	(6)	333	1,410	13%	183	516	2,312	£223.26
Totals	482	(75)	8	414	1,869		243	657		£284.24

Regulatory Financial Review

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MBs & up to & Including 45Mb/s Within the Hull Area

The market for the provision of traditional interface symmetric broadband origination with a capacity of 8 MB - 45MB includes point-to-point circuits of 34MB/s and 45MB/s.

This is a static market as a consequence of demand for new bandwidth being drawn to ethernet.

Number of Circuits

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
12	-8%	11	-14%	10	-5%	9	-11%	8	-31%	6

Internal revenues, generated by a 13% return on mean capital employed, declined 15% in line with the circuit volume reduction. Historical costs are impacted by a 18% reduction in attributable maintenance charges added to the CCA adjustments to record a 16% overall reduction in the cost base.

Overall unit costs p.a. increased to £20k

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MBs & up to & Including 45Mb/s Within the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	107	100%	127	100%	-15%
Total Turnover	107	100%	127	100%	-15%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	50	60%	61	52%	-18%
- Depreciation	28	33%	50	42%	-43%
- Other Costs	6	7%	7	6%	-15%
Sub total operating expenditure	84	100%	118	100%	-28%
CCA adjustments:					
Holding loss	3		35		-91%
Supplementary depreciation	(6)		(56)		-90%
Total operating costs	82		97		-16%
Return	25		29		-13%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	24%	23%	1%

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MBs & up to & Including 45Mb/s Within the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	90	91	-2%
- Duct	4	5	-28%
- Transmission Equipment	-	-	
- Other	86	82	5%
Total fixed assets	179	178	1%
Current assets			
Stocks	9	20	-53%
Debtors			
- internal	11	13	-15%
Total current assets	20	33	-38%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(8)	(11)	-28%
Total creditors: amounts falling due within one year	(8)	(11)	-28%
Net current assets	12	22	-43%
Total assets less current liabilities	192	200	-4%
Closing capital employed	192	200	-4%

Kingston Statement of Costs on a Current Cost Basis

**Network Activity Statement
for the year ended 31 March 2015**

Wholesale Traditional Interface Symmetric Broadband Origination (8 - 45 Mb)

	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	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	1	()	(1)	()	176	13%	23	22	6	£4,075.26
Exchange-exchange transmission length	27	-	-	27	1	13%	-	28	6	£5,016.88
PPP for narrowband call services	6	-	-	6	-	13%	-	6	6	£1,079.47
Local Loop Infrastructure	50	(06)	4	49	19	13%	2	51	6	£9,344.80
Totals	84	(06)	3	82	196		25	107		£19,516.41
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	1	(4)	6	4	173	13%	22	26	8	£3,263.32
Exchange-exchange transmission length	58	-	(0)	58	2	13%	-	58	8	£7,262.47
PPP for narrowband call services	7	-	-	7	-	13%	-	7	8	£873.74
Local Loop Infrastructure	52	(52)	29	29	51	13%	7	35	8	£4,422.94
Totals	118	(56)	35	97	226		29	127		£15,822.48

Regulatory Financial Review

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity above 45Mb/s Within the Hull Area & up to & Including 155Mb/s Within the Hull Area

The market for the provision of traditional interface symmetric broadband origination with a capacity above 45 MB contains point-to-point circuits of 155MB/s.

There has been a decline of 3 circuits (43%) within this market. There remain some applications for which the traditional interface is advantageous but significant requests for new services in this range are not expected as the alternatives continue to develop.

Number of Circuits

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
6	8%	6.5	31%	9	0%	9	-18%	7	-43%	4

This market is very similar to that of the 8 - 45Mb with low volumes and minimal movement year on year. Derived revenue has declined 22%. Maintenance costs have declined 23% portraying a similar path to the 8-45Mb market. There has been some offset through CCA adjustments.

Overall circuit unit costs increased to £28,679

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 45 MBs & up to & Including 155Mb/s Within the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	115	100%	147	100%	-22%
Total Turnover	115	100%	147	100%	-22%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	55	60%	71	52%	-23%
- Depreciation	30	33%	59	43%	-49%
- Other Costs	6	7%	7	5%	-15%
Sub total operating expenditure	91	100%	137	100%	-34%
CCA adjustments:					
Holding loss	3		35		-91%
Supplementary depreciation	(6)		(56)		-90%
Total operating costs	89		117		-24%
Return	26		30		-14%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	23%	21%	2%

Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 45 MBs & up to & Including 155Mb/s Within the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	90	91	-2%
- Duct	4	7	-41%
- Other	86	82	5%
Investments			
Total fixed assets	181	181	0%
Current assets			
Stocks	10	23	-57%
Debtors			
- internal	12	15	-22%
Total current assets	22	38	-43%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(8)	(13)	-34%
Total creditors: amounts falling due within one year	(8)	(13)	-34%
Net current assets	13	26	-48%
Total assets less current liabilities	194	206	-6%
Closing capital employed	194	206	-6%

Kingston Statement of Costs on a Current Cost Basis

**Network Activity Statement
for the year ended 31 March 2015**

Wholesale Traditional Interface Symmetric Broadband Origination (>45Mb)

	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	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	1	(0)	(1)	()	176	13%	23	22	4	£5,603.21
Exchange-exchange transmission length	34	-	-	34	3	13%	-	35	4	£8,663.49
PPP for narrowband call services	6	-	-	6	-	13%	-	6	4	£1,486.61
Local Loop Infrastructure	50	(6)	4	49	22	13%	3	52	4	£12,926.31
Totals	91	(6)	3	89	200		26	115		£28,679.63
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	1	(4)	6	4	173	13%	22	26	7	£3,729.42
Exchange-exchange transmission length	77	-	(0)	77	5	13%	1	78	7	£11,114.47
PPP for narrowband call services	7	-	-	7	-	13%	-	7	7	£1,003.32
Local Loop Infrastructure	52	(52)	29	29	55	13%	7	36	7	£5,137.98
Totals	137	(56)	35	117	233		30	147		£20,985.20

Regulatory Financial Review (Kingston)

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

The market for the provision of alternative interface symmetric broadband origination includes connections from 2MB/s to 1GB/s utilising ethernet technology. Volumes have increased slightly year on year

Number of Circuits

2009/10		2010/11		2011/12		2012/13		2013/14		2014/15
986	9%	1072	10%	1,178	-5%	1,117	-5%	1,061	8%	1,143

Internally generated revenue has decreased insignificantly.

Annual average circuit costs have decreased to £1,870 p.a

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

CURRENT COST PROFIT AND LOSS ACCOUNT
for the year ended 31 March 2015

	£k 2015	% per line item/total	£k 2014	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	2,137	100%	2,171	100%	-2%
Total Turnover	2,137	100%	2,171	100%	-2%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	1,479	80%	1,372	65%	8%
- Depreciation	365	20%	714	34%	-49%
- Other Costs	11	1%	10	0%	5%
Sub total operating expenditure	1,855	100%	2,097	100%	-12%
CCA adjustments:					
Holding (gain) / loss	150		(73)		-304%
Supplementary depreciation	(75)		(19)		289%
Total operating costs	1,930		2,004		-4%
Return	208		167		24%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015 %	2014 %	%
Return on mean capital employed	13%	13%	0%
Return on turnover	10%	8%	2%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	59	53	11%
- Duct	393	367	7%
- Transmission Equipment	542	415	30%
- Exchange Equipment	169	102	65%
- Other	241	196	23%
Total fixed assets	1,403	1,134	24%
Current assets			
Stocks	216	370	-42%
Debtors			
- internal	219	222	-2%
Total current assets	435	593	-27%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(170)	(193)	-12%
Total creditors: amounts falling due within one year	(170)	(193)	-12%
Net current assets	265	400	-34%
Total assets less current liabilities	1,668	1,534	9%
Closing capital employed	1,668	1,534	9%

Kingston Statement of Costs on a Current Cost Basis

**Network Activity Statement
for the year ended 31 March 2015**

Alternative Interface Symmetric Broadband Origination (All Bandwidths)

	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	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	5	2	(1)	7	338	13%	44	51	1,143	£44.47
Exchange-exchange transmission length	1,790	(77)	150	1,863	365	13%	47	1,911	1,143	£1,671.90
PPP for narrowband call services	11	-	-	11	-	13%	-	11	1,143	£9.48
Local Loop Infrastructure	49	-	-	49	898	13%	117	165	1,143	£144.63
Totals	1,855	(75)	150	1,930	1,601		208	2,138		£1,870.48
Network Activity Statement for year ended 31st March 2014										
Exchange concentrator	5	-	3	9	292	13%	38	47	1,061	£44.19
Exchange-exchange transmission length	2,047	(19)	(77)	1,950	311	13%	40	1,991	1,061	£1,876.34
PPP for narrowband call services	10	-	-	10	-	13%	-	10	1,061	£9.72
Local Loop Infrastructure	34	-	-	34	690	13%	90	124	1,061	£116.90
Totals	2,097	(19)	(73)	2,004	1,293		168	2,172		£2,047.15

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 24th July 2015. The statutory financial statements for KCOM Group plc, for the year ended 31st March 2015 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

The current cost financial statements on pages 7 to 59 are prepared under the financial capital maintenance concept, in line with the DoCAS dated 24th July 2015 and in accordance with applicable United Kingdom accounting standards. The current cost statements for each of the businesses are prepared under this basis, although an adjustment for inflation to ordinary shareholders' funds is not attributed to each of the individual businesses.

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.

Turnover

Group turnover, which excludes value added tax, comprises the value of services provided and equipment sales by Group undertakings, excluding those between them. The Group enters into contractual arrangements that include various components, which operate independently of each other. Turnover is recognised in respect of the Group's right to consideration for each individual component where a reliable fair value can be attributed to these components. Turnover from calls is recognised in the Group profit and loss account at the time the call is made over the Group's network. Turnover from rentals is recognised evenly over the rental period. Turnover from sales is recognised at the point of sale. Turnover from production of directories is recognised at the point when the directory is published. Turnover arising from the provision of other services, including maintenance contracts, is recognised evenly over the periods in which the service is provided to the customer.

Notes to the Regulatory Financial Statements 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 20 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 First In, First Out (FIFO) 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 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.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the Group, and hire purchase, are capitalised in the balance sheet and are depreciated over their useful economic lives. The capital elements of future obligations under finance leases and hire purchase contracts are included as liabilities in the balance sheet. The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts. Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

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, based on the Days Sales Outstanding (DSO) with Other Licenced Operators (OLO's) in 2014/15.

Charges by the Wholesale Business to the Retail Business and Other Licenced Operators (OLO's) are made on the basis of achieving a targeted rate of return on Mean Capital Employed of 13%.

4. CORPORATE CENTRE COSTS

Included in the operating costs of the Businesses are £1,621k of recharged KCOM Group plc Corporate costs.

**Kingston Wholesale Sales by Market Statement - External Sales
for the year ended 31 March 2015**

	Average NCC rates ppm			NCC Traffic Minutes ('000s)			24hr	Total Payments £k
	Day	Evening	Weekend	Day	Evening	Weekend		
Kingston Wholesale Market : Analogue Exchange Line Services in the Hull Area								630
Kingston Wholesale Market : ISDN2 Exchange Line Services in the Hull Area								218
Kingston Wholesale Market : ISDN 30 Exchange Line Services in the Hull Area								208
Kingston Wholesale Market : Call Origination on Fixed Public Narrowband Networks in the Hull Area	1.9488	0.8923	0.7026	18,884	5,174	5,517	1.5315	361
Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area								281
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & including 8 Mb/s								-
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MB/s & up to & including 45 Mb/s								-
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 45 MB/s & up to & including 155 Mb/s								-
Kingston Wholesale Market : Provision of Alternative Interface Symmetric Broadband Origination at all Bandwidths within the Hull area								-
								<u>1,698</u>

**Kingston Wholesale Sales by Market Statement - Internal Sales
for the year ended 31 March 2015**

	Average NCC rates ppm			NCC Traffic Minutes			24hr	Total Charge £k	Total Payments £k
	Day	Evening	Weekend	Day	Evening	Weekend			
Kingston Wholesale Market : Analogue Exchange Line Services in the Hull Area									22,199
Kingston Wholesale Market : ISDN 2 Exchange Line Services in the Hull Area									258
Kingston Wholesale Market :ISDN 30 Exchange Line Services in the Hull Area									486
Kingston Wholesale Market : Call Origination on Fixed Public Narrowband Networks in the Hull Area	0.2130	0.0975	0.0768	311,684	85,390	91,057	0.1674		1,079
Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area									2,789
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & including 8 Mb/s									594
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MB/s & up to & including 45 Mb/s									107
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 45 MB/s & up to & including 155 Mb/s									115
Kingston Wholesale Market : Provision of Alternative Interface Symmetric Broadband Origination at all Bandwidths within the Hull area									2,137
									<u>29,765</u>

Kingston Reconciliation Statement

Consolidated profit and loss account
for the year ended 31 March 2015

Market/Area	Turnover £k	Operating Costs £k	HCA Return or Profit after taxation £k	Holding gain/(loss) and other Adjustments £k	Supplem- entary depreciation £k	CCA Return or Profit Before Taxation £k
Wholesale Markets (where cost accounting and/or accounting separation obligations apply)	31,463	(17,545)	13,918	(82)	(2,556)	11,280
Retail Markets (where cost accounting obligations apply)	-	-	-	-	-	-
Sub Total SMP Markets	31,463	(17,545)	13,918	(82)	(2,556)	11,280
<u>Residual activities</u>						
- Wholesale residual activities	-	-	-	-	-	-
- Retail residual activities	93,982	(65,522)	28,460	(959)	(624)	26,877
Total	125,444	(83,067)	42,378	(1,041)	(3,179)	38,157
Adjustments (as necessary)						
Elimination of Inter Business turnover and costs	(29,765)	35,380	5,615			
Other operating income & costs	252,304	(277,892)	(25,588)			
Finance Costs	-	(5,725)	(5,725)			
Share from Associate	-	13	13			
Taxation	-	(4,149)	(4,149)			
Profit for the year attributable to owners of the parent	347,984	(335,440)	12,544			

Kingston Reconciliation Statement

Consolidated profit and loss account
for the year ended 31 March 2014

Market/Area	Turnover £k	Operating Costs £k	HCA Return or Profit after taxation £k	Holding gain/(loss) and other Adjustments £k	Supple- mentary depreciation £k	CCA Return or Profit Before Taxation £k
Wholesale Markets (where cost accounting and/or accounting separation obligations apply)	31,766	(18,304)	13,461	258	(2,630)	11,089
Retail Markets (where cost accounting obligations apply)	-	-	-	-	-	-
Sub Total SMP Markets	31,766	(18,304)	13,461	258	(2,630)	11,089
<u>Residual activities</u>						
- Wholesale residual activities	-	-	-	-	-	-
- Retail residual activities	92,433	(66,694)	25,739	(3,293)	(715)	21,731
Total	124,199	(84,999)	39,200	(3,035)	(3,345)	32,820
Adjustments (as necessary)						
Elimination of Inter Business turnover and costs	(30,040)	34,757	4,718			
Other operating income & costs	276,538	(264,849)	11,689			
Finance Costs	-	(5,075)	(5,075)			
Share from Associate	-	(2)	(2)			
Taxation	-	(11,760)	(11,760)			
Profit for the year attributable to owners of the parent	370,697	(331,927)	38,770			

Kingston Reconciliation statement

Consolidated mean capital employed for the year ended 31 March 2015	2015 £k	2014 £k	% Change
Fixed assets			
Tangible fixed assets (identifying asset categories where the value exceeds 10% of total fixed asset base)			
- Land & Buildings	5,779	5,934	-3%
- Duct	55,073	53,873	2%
- Transmission Equipment	41,487	42,212	-2%
- Exchange Equipment	3,507	2,571	36%
- Other	1,277	1,447	-12%
Total fixed assets	107,123	106,036	1%
Current assets			
Stocks	1,548	2,453	-37%
Debtors			
-internal	3,102	3,145	-1%
- external	9,733	9,563	2%
Total current assets	14,384	15,161	-5%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(1,964)	(1,992)	-1%
- external	(5,522)	(5,724)	-4%
Total creditors: amounts falling due within one year	(7,486)	(7,716)	-3%
Net current assets	6,898	7,445	-7%
Total assets less current liabilities	114,021	113,481	0%
Closing capital employed	114,021	113,481	0%

Kingston Retail Residual Activities Reconciliation

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2015

	£k	% per line	£k	% per line	% Change
	2015	item/total	2014	item/total	Year on Year
Turnover	93,982		92,433		2%
Operating costs					
Charges from Kingston Wholesale Markets					
- wholesale Call Origination	7,272		8,291		-12%
- wholesale Network Maintenance	30,217		31,073		-3%
- wholesale PP&P (Corporate Charges)	1,283		1,485		-14%
Operating costs of Retail Market					
- Marketing	4,386	16%	4,448	17%	-1%
- Sales	1,888	7%	1,712	7%	10%
- Finance & Billing	2,112	8%	2,189	8%	-4%
- Customer Services	4,766	18%	4,526	18%	5%
- Customer Product Maintenance	790	3%	676	3%	17%
- Network Maintenance	2,018	8%	1,970	8%	2%
- Bad Debts	854	3%	644	2%	33%
- PP&P	1,726	6%	2,039	8%	-15%
- Depreciation	2,914	11%	1,704	7%	71%
- Other Costs	5,296	20%	5,937	23%	-11%
Sub total operating expenditure	26,750	100%	25,845	100%	4%
CCA adjustments:					
Holding loss / (gain)	959		3,293		-71%
Supplementary depreciation	624		715		-13%
Total operating costs	67,105		70,702		-5%
Return	26,877		21,731		24%

RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER

for the year ended 31 March 2015

	2015	2014	
	%	%	%
Return on mean capital employed	100%	82%	17%
Return on turnover	29%	24%	5%

Kingston Retail Residual Activities Reconciliation

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2015

	£k 2015	£k 2014	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	1,834	1,812	1%
- Duct	11,567	11,814	-2%
- Transmission Equipment	8,399	8,657	-3%
- Exchange Equipment	1,108	903	23%
- Other	200	263	-24%
Total fixed assets	23,107	23,449	-1%
Current assets			
Stocks	53	75	-29%
Debtors			
- internal	52	67	-23%
-external	9,615	9,438	2%
Total current assets	9,720	9,581	1%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(352)	(310)	14%
- external	(5,522)	(5,724)	-4%
Total creditors: amounts falling due within one year	(5,874)	(6,034)	-3%
Net current assets	3,846	3,546	8%
Total assets less current liabilities	26,953	26,995	0%
Closing capital employed	26,953	26,995	0%

Kingston Inter Market Turnover (Reconciliation) for year ended 31 March 2015

	Wholesale analogue exchange line services in the Hull Area	Wholesale ISDN2 exchange line services in the Hull Area	Wholesale ISDN30 exchange line services in the Hull Area	Call origination on fixed public narrowband networks in the Hull Area + Call split (right)	Wholesale unmetered narrowband Internet termination for Internet traffic originating in the Hull Area	Asymmetric broadband origination in the Hull Area	Provision of traditional interface symmetric broadband origination with a bandwidth capacity up to and including 8 megabits	Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 8 megabits up to 45 megabits	Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 45 megabits up to 155 megabits	Provision of alternative interface symmetric broadband origination at all bandwidths within the Hull Area	Residential analogue exchange line services in the Hull Area	Residential ISDN2 exchange line services in the Hull Area	Business ISDN30 exchange line services in the Hull Area	Residual Activities	Residual Wholesale	Residual Retail	Total
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
Turnover originating in:																	
Wholesale analogue exchange line services in the Hull Area	630	-	-	-	-	-	-	-	-	-	-	-	-	-	22,199	-	22,829
Wholesale ISDN2 exchange line services in the Hull Area	-	218	-	-	-	-	-	-	-	-	-	-	-	-	258	-	476
Wholesale ISDN30 exchange line services in the Hull Area	-	-	-	-	-	-	-	-	-	-	-	-	208	-	486	-	694
Call origination on fixed public narrowband networks in the Hull Area + Call Split Below	-	-	-	361	-	-	-	-	-	-	-	-	-	-	1,079	11,375	12,815
Wholesale unmetered narrowband Internet termination for Internet traffic originating in the Hull Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Asymmetric broadband origination in the Hull Area	-	-	-	-	-	281	-	-	-	-	-	-	-	-	2,789	24,656	27,727
Provision of traditional interface symmetric broadband origination with a bandwidth capacity up to and including 8 megabits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	594	7,414	8,008
Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 8 megabits up to 45 megabits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	107	61	168
Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 45 megabits up to 155 megabits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	115	193	307
Provision of alternative interface symmetric broadband origination at all bandwidths within the Hull Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,137	9,451	11,589
Analogue exchange line services in the Hull Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	34,686	34,686
ISDN2 exchange line services in the Hull Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(195)	(195)
Business ISDN30 exchange line services in the Hull Area	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(208)	(208)
Residual Activities	-	-	-	-	-	-	-	-	-	-	-	-	-	6,549	-	-	6,549
Residual Wholesale	22,199	258	486	1,079	-	2,789	594	107	115	2,137	-	-	-	-	-	-	-
Residual Retail	-	-	-	11,375	-	24,656	7,414	61	193	9,451	34,686	(195)	(208)	-	-	-	-
Total	22,829	476	486	12,815		27,727	8,008	168	307	11,589	34,686	(195)		6,549			125,444

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2015

Network Activity Statement - Consolidated

Fully Allocated Cost	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
Exchange concentrator	1,460	(69)	(16)	1,375	5,494	13%	714	2,089
Exchange processor	449	2	2	453	171	13%	22	475
Exchange-exchange transmission link	67	(13)	7	62	101	13%	13	75
Exchange-exchange transmission length	4,763	(100)	254	4,917	4,429	13%	576	5,493
National operator assistance	1			1	1	13%		1
Emergency operator assistance	1			1	1	13%		1
PPP for narrowband call services	1,241			1,241		13%		1,241
Local loop infrastructure	9,564	2,735	(166)	12,134	76,581	13%	9,955	22,089
Totals	17,545	2,556	82	20,183	86,777		11,281	31,464
Network Activity Statement for year ended 31st March 2014								
Exchange concentrator	1,644	(204)	168	1,609	5,549	13%	721	2,331
Exchange processor	499	2	(52)	449	116	13%	15	464
Exchange-exchange transmission link	72	(78)	75	69	99	13%	13	82
Exchange-exchange transmission length	4,882	3	(215)	4,670	3,578	13%	465	5,136
National operator assistance	1	-	-	1	2	13%	-	1
Emergency operator assistance	1	-	-	1	2	13%	-	1
PPP for narrowband call services	1,418	-	-	1,418	-	13%	-	1,418
Local loop infrastructure	9,788	2,906	(234)	12,460	76,039	13%	9,885	22,345
Totals	18,304	2,630	(258)	20,676	85,385		11,100	31,777

Kingston Network Services Reconciliation
for the year ended 31 March 2015

Consolidation Statement

Fully Allocated Cost		Analogue Exchange Lines	ISDN2 Lines	Business ISDN30 Lines	Call Origination	Traditional Interface <=8Mb/s	Traditional Interface 8-45Mb/s	Traditional Interface >45Mb	Alternative Interface All Mb/s	ADSL	Total
Components											
	Unit of Measure	Lines	Lines	Lines	Cal Minutes	Lines	Lines	Lines	Lines	Lines	
	Volume (where relevant)	171,994	2,438	1,175	517,705,830	1,716	6	4	1,143	119,623	
Exchange concentrator	Ave cost per unit (adjusted by usage factor)	£6.59	£11.21	£72.86	0.09	£45.89	£4,075.26	£5,603.21	£44.47	£1.62	
	Total cost £k	1,133	27	86	476	79	22	22	51	194	2,090
Exchange processor	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0000	0.091846	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				475						475
Exchange-exchange transmission link	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0219	0.014414	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				75						75
Exchange-exchange transmission length	Ave cost per unit (adjusted by usage factor)	£2.46	£1.51	£2.46	0.043731	£1.37	£5,016.88	£8,663.49	£1,671.90	£23.92	
	Total cost £k	423	4	3	226	2	28	35	1,911	2,861	5,493
National operator assistance	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0000	0.000151	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				1						1
Emergency operator assistance	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0000	0.000139	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				1						1
PPP for narrowband call services	Ave cost per unit (adjusted by usage factor)	£5.32	£6.39	£50.78	0.035899	£15.59	£1,079.47	£1,486.61	£9.48	£0.13	
	Total cost £k	915	16	60	186	27	6	6	11	15	1,241
Local Loop Infrastructure	Ave cost per unit (adjusted by usage factor)	£118.36	£176.16	£464.55	0.000000	£283.50	£9,344.80	£12,926.31	£144.63	£0.01	
	Total cost £k	20,358	429	546		486	51	52	165	1	22,089
Totals		22,829	476	694	1,440	594	107	115	2,138	3,070	31,464