



Description of Cost Accounting System (DOCAS):

**Representing the Primary and Secondary Accounting Statements
Together with Wholesale and Retail Catalogues**

**KCOM's REGULATORY COSTING MODEL
For year ending 31 March 2025
(including restatement of results for the year ended 31 March 2024)**

13 February 2026

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1. Glossary

General

ABC	Activity-based Costing
Access Network	The part of the network extending from exchange building to customer premises
AM	Apportionment Methodology
APS	KCOM's billing system
CCA	Current Cost Accounting
Core Network	The part of the network connecting exchange buildings
DOCAS	Description of Cost Accounting System
EYE	East Yorkshire Expansion area – geographic areas of KCOMs network operated by the Wholesale and Retail Business Segments but which are not in the geographic area covered by the OLA
FAR	Fixed Asset Register
FFE	Full Fibre Expansion area – geographic areas of KCOMs network operated by the Wholesale and Retail Business Segments outside of the geographic area covered by the OLA not previously designated as EYE
FTE	Full-time equivalent
FTTH	Fibre-to-the-Home
GL	General Ledger
HEY	Hull and East Yorkshire – a financial reporting segment used by KCOM
Hull Area	The geographic area in which Ofcom has found KCOM to have SMP and for which it is required to prepare RFS – also referred to as the OLA
IP	Internet Protocol - a general term for the technologies that use the Internet Protocol's standards for transmitting data
KCOM	KCOM Group PLC
New RFS Model	The ABC model used by KCOM to prepare the RFS from 2018 (including restated 2017 results) onwards
NGA	Next Generation Access
OLA	Original Licensed Area - the geographic area in which Ofcom has found KCOM to have SMP and for which it is required to prepare RFS – also referred to as the Hull Area
Old RFS Model	The ABC model used by KCOM to prepare the RFS prior to 2018
RFS	Regulatory Financial Statements
RFS Markets	Those markets which KCOM is required to report on in the RFS under its regulatory financial reporting obligations
RRG	Regulatory Reporting Group
SDH	Synchronous Digital Hierarchy - a standard technology for synchronous data transmission on optical media
SG&A	Sales, general and administrative expenses
SMB	Small, Medium Businesses
SMP	Significant Market Power
TDM	Time division multiplexing (TDM) – a technology for transmitting multiple digital signals over a common channel
TSO	KCOM's Technology, Service and Operations cost centres
WACC	Weighted average cost of capital

Abbreviations used in KCOM's RFS Model

AM	Apportionment Methodology
GFS	Group Financial Services
OH	Overhead
NC	Network Component
NP	Network Product
NOC	Network Operating Cost
OOS BS	Out of Scope Balance Sheet
OOS IS	Out of Scope Income Statement
PA	Primary Assets
PG	Plant Group
SA	Support Assets
SC	Support Costs

2. Introduction

Regulatory requirements

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. This is represented by the geographic area of KCOM’s original licensed area (the “OLA” or the “Hull Area”).

In October 2021 Ofcom published its Hull Wholesale Fixed Telecoms Market Review 2021-26 (“Hull FTMR”) which determined that KCOM had SMP in two markets, for which it was required to prepare financial statements as set out in the regulations (the Regulatory Financial Statements or “RFS”).

Table 1 – RFS Markets for which KCOM financial reporting obligations

Wholesale Local Access
Wholesale Leased Lines

The form and content of the RFS are based on the reporting obligations set by Ofcom in the following documents:

- *KCOM Regulatory Financial Reporting, Statement on new regulatory financial reporting directions covering all regulated fixed telecoms markets (6 February 2019)*
- *Hull Area Wholesale Fixed Telecoms Market Review 2021-26 (28 October 2021)*

This Description of Cost Accounting System (“DOCAS”) describes the basis on which the RFS have been prepared.

Under Schedule 4 of Ofcom’s 6 February 2019 Statement: *KCOM Regulatory Financial Reporting*, Ofcom is entitled to comment on the data in, the notes to, or the presentation of any of the Financial Statements, in relation to each of the markets. Ofcom has informed KCOM that it does not consider such a statement necessary for the Regulatory Accounts ending 31 March 2024.

The remainder of the document is set out as follows:

- **Section 3: KCOM’s Organisational Structure and Financial Accounting system** describes the organisational structure of KCOM and how that relates to the preparation of the RFS in relation to KCOM’s activities in the Hull Area.
- **Section 4: Accounting Separation Framework** describes the basis on which the RFS have been prepared.
- **Section 5: RFS Model Design** sets out the overall design principles of the RFS activity-based costing model used to prepare the RFS.
- **Section 6: Activity-Based Costing Model** describes KCOM’s activity-based costing model.

- **Section 7: Cost Apportionment Methodologies** provides details of how costs are apportioned in the RFS Model.
- **Section 8: CCA Valuation Methodology** explains the basis on which Current Cost Accounting (“CCA”) Asset values and associated costs are calculated.
- **Section 9: Management Accounts Recharges** explains the basis for recharges in KCOM’s management accounts which are used in the RFS
- **Section 10: Revenues and Transfer Charges** provides details of how revenues and transfer charges reported in the RFS are calculated.
- **Section 11: Preparation of RFS** provides details of how the outputs of the Activity Based Costing (“ABC”) model are presented in the RFS.
- **Section 12: Return on Capital Employed** explains the basis for calculating the applicable rate of return on capital included in the Network Activity Statements in the RFS.

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 cost of components stated in the Network activities statements is based on fully allocated costs of components including a cost of capital as set out in section 12 of the DOCAS.

KCOM's Organisational Structure and Financial Accounting System

KCOM operates as a group of companies, and its annual report is based on the consolidated results of that group.

The RFS Model is based on the financial statements of KCOM Group Limited.

The remainder of this section describes the key organisational dimensions of KCOM Group Limited, and how they are reflected in its financial reporting system.

Company Code

The KCOM Group Limited accounts comprise the consolidated accounts of different subsidiaries which are included in the RFS model for completeness. The company codes are shown in Table 2 below.

Table 2: KCOM Group Companies

Company GL Code	Legal Entity
1000	KCOM Group Limited
1001	KCOM Holdings Limited
1002	Affiniti Integrated Solutions Limited (Dormant)
1003	Eclipse (Dormant)
1004	Media (Dormant)
1005	KCOM Contact Centres
1006	Dormant
1007	Smart Tech Group
1008	Smart Integrator
1009	KCH (Holdings) Limited
1011	KCOM Central Asset reserve LP
1012	Dormants

The RFS are based on the consolidated accounts for KCOM Group Limited which includes all consolidated group companies.

Segments

KCOM business activities are organized into three operating segments: Wholesale, Retail and Central.

Within each segment costs are recorded by cost centre. Services in the Hull Area for which the RFS are required are provided by the Wholesale segment.

Services provided by the Wholesale and Retail Segments (Consumer and business) cover both the Hull Area and adjoining areas which are outside of the licensed Hull Area and for which KCOM is not required to prepare RFS. These adjoining areas are referred

to as the East Yorkshire expansion (“EYE”) area and the Full Fibre Expansion (“FFE”) area. These services are included in the relevant residual markets.

The Wholesale and Retail segments receive support from Central cost centres including:

- Finance
- HR
- Legal & Risk
- Corporate
- IT
- Marketing & Communications

Costs of these support activities are allocated to the Wholesale and Retail Segments using the allocation methodologies described in this DOCAS.

Cost Centres

Within each segment, SG&A costs are recorded in the GL based on the cost centres listed in Annex 6. SG&A Costs are allocated based on the cost type and/or cost centre.

Product Codes

Revenues and direct costs in the GL are recorded by Product Groups.

The product groups used by KCOM to report revenues and costs do not align with the product groups which need to be reported in the RFS and so revenues and volumes in the GL are mapped to those in the RFS using more detailed information contained in KCOM’s billing system, APS.

Volumes

Volumes used for the allocation methodologies are based on total volumes of products sold as recorded in the company’s rating system, ‘Scorecard’. Reported volumes in the Network Activity Statements are monthly average volumes.

FY24 Restatement

in preparing the RFS FY25, we have discovered several errors relating to internal transfer prices between Wholesale Residual and Retail Residual in RFS FY24. We have investigated the matter and we are content that we have identified all of the errors, which relate to internal transfer prices in respect of:

- Wholesale residual to retail residual broadband;
- Wholesale residual to retail residual ADSL; and
- Wholesale residual to retail residual for a bespoke network product (relating to CCTV)

The errors do not impact the RFS FY24 in relation to regulated markets,

In addition, in preparing RFS FY25, we have stopped performing the allocation of those costs previously recharged to the National Business under “AM_1180 Rump costs” (2024 DOCAS page 20), on the basis that the National Business was sold in 2021, and so the recharge is remote. As a result, we propose to restate FY24 RFS for consistency.

Restatements in the financial statements for Asset Reclassification and for Deferred Tax balance sheet presentation, have no impact on the regulated financial statements.

4. Accounting Separation Framework

The following Regulatory Accounting Principles have been applied in:

- the production of the RFS;
- the application of the Attribution Methods;
- the application of the Transfer Charging System; and
- the application of the Accounting Policies.

Principle 1 – Priority

Within the Regulatory Accounting Principles, insofar as there is conflict between the requirements of any or all of these Principles, the Principles are to be applied in the same order of priority in which they appear in this document.

Principle 2 – Cost Causality

Revenue (including transfer charges), costs (including transfer charges), assets and liabilities shall be attributed to cost components, services and Markets in accordance with the activities which cause the revenues to be earned or costs to be incurred or the assets to be acquired or liabilities to be incurred.

Where it is not possible to attribute revenues, costs, assets and liabilities in accordance with the preceding paragraph, the attribution shall be such as to present fairly the revenues, costs, assets and liabilities accounted for in the Financial Statements for each Business as a whole.

Principle 3 – Objectivity

The attribution shall be objective and not intended to benefit either KCOM or any other operator, product, service, component, or market.

Principle 4 – Consistency

There shall be consistency of treatment from year to year. Where there are material changes to Regulatory Accounting Principles, the attribution methods, or the accounting policies that have a material effect on the information reported in the financial statements of the Businesses, the parts of the previous year’s financial statements affected by the changes shall be restated with appropriate explanatory notes.

Principle 5 – Use of UK Adopted International Accounting Standards

Unless expressly provided for, generally accepted accounting principles and practices in the United Kingdom are to be followed. KCOM prepares its accounts in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006.

Principle 6 – Transparency

The methodology should provide a transparent description of the accounting and other methods used in the preparation of the RFS such that a suitably informed reader can:

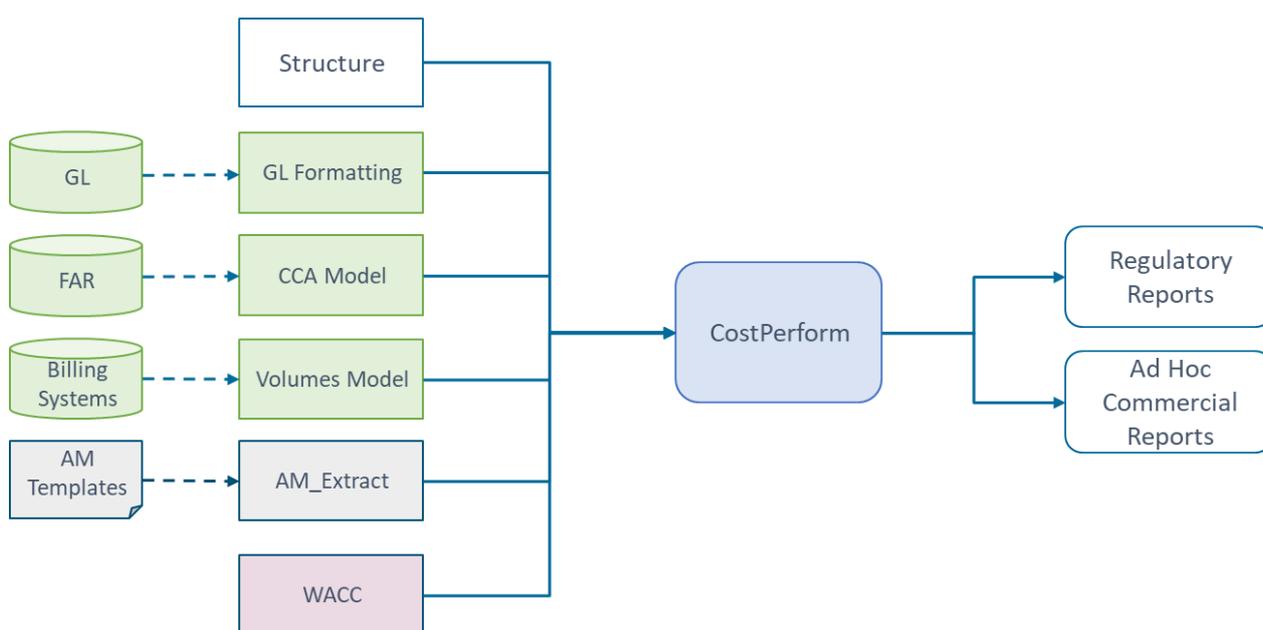
- gain an understanding of the overall structure of KCOM's financial and information systems from which regulatory accounting data is derived and the sequence of the processing and 'cascade' effect of the intermediate cost centres;
- gain an understanding of all the material, methodologies and drivers (e.g. systems, processes and procedures) applied in the preparation of regulatory accounting data; and
- make their own judgement as to the reasonableness of these methodologies and driver data and any changes to them.

5. RFS Model Design

KCOM's RFS are prepared using an activity-based costing model (the RFS Model) which uses data from the company's financial and operational systems to calculate revenues and costs for the specified markets.

KCOM's RFS model uses the CostPerform activity-based costing system. The overall design of the RFS Model is set out in Figure 1 below.

Figure 1 RFS Model Design



GL Input

To ensure that the RFS model captures all costs and revenues, the entire general ledger for KCOM is brought into the model. This is done by obtaining extracts from the SAP general ledger and then pre-formatting the account code structure for input into the CostPerform model.

Fixed Asset Register (“FAR”)

KCOM's fixed assets are listed in detail in its FAR. Each individual asset in the register is categorised with a regulatory accounting classification to enable it to be allocated to individual services.

The FAR classifications are set out in Annex 1: FAR RFS Categories.

The Current Cost Accounting (“CCA”) Model adjusts the historical cost of the fixed assets contained in the FAR to a CCA value used in the preparation of the RFS.

The CCA valuation methodology is described further in Section 7.

Billing Systems/ Volumes Model

To allocate some costs and calculate unit costs, the RFS model uses service volumes.

Volumes for rental and connection services reported in the RFS are obtained from KCOM's billing system, APS and from KCOM's internal rating system, Scorecard.

The APS system contains details for all billed services. To prepare the RFS it is necessary to categorise the billed services to services in the relevant markets.

This is done by assigning an RFS Service Category to each billed service.

Call volumes are obtained from KCOM's in-house software which captures interconnect traffic data.

AM Templates

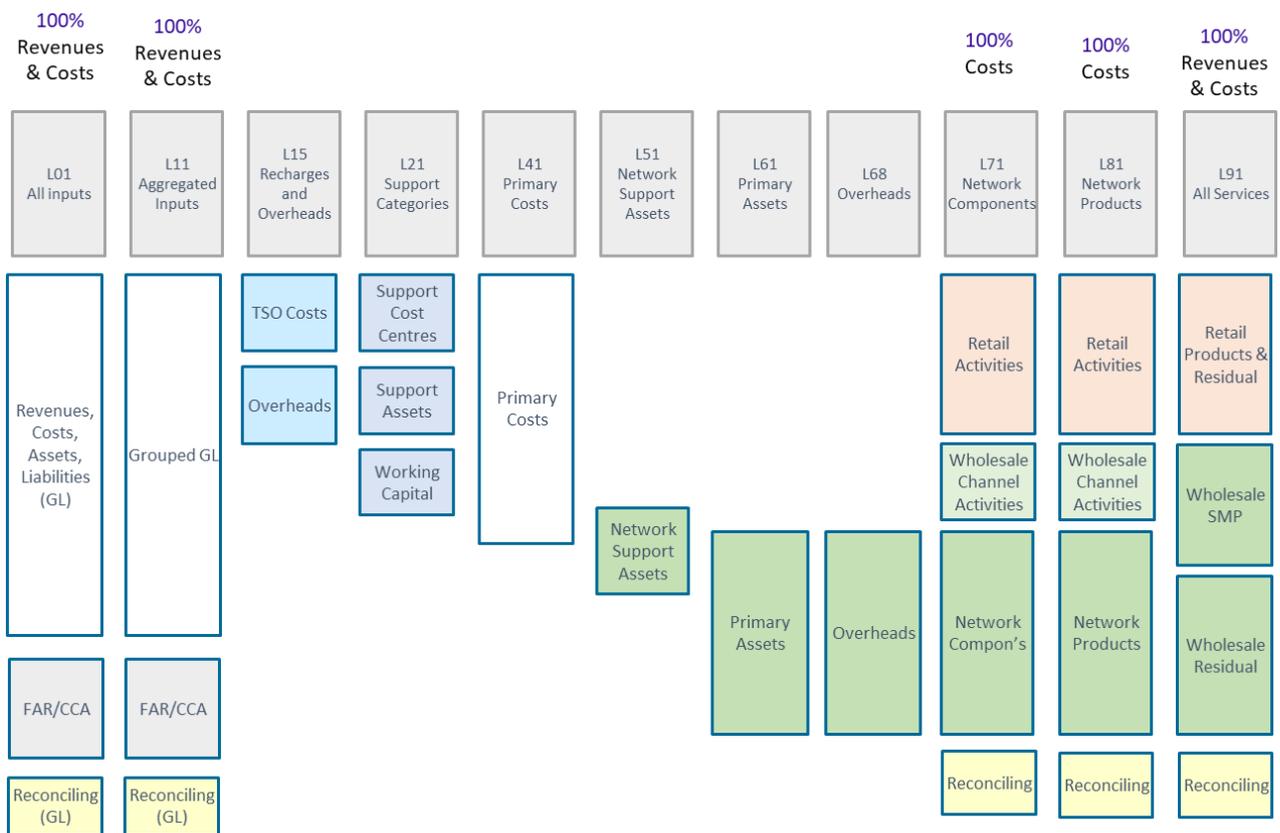
For those costs which are attributed to more than one cost category, details of the cost categories being allocated to, and the basis on which they are attributed is input to the CostPerform model using standardised Attribution Methodology ("AM") templates.

6. Activity-Based Costing Model

KCOM's RFS are prepared using an activity-based costing ("ABC") model built using the CostPerform system.

The model follows the usual layered approach in cost allocation models – costs from the general ledger are entered at the first layer (L01) and cascade down through various activities and categories to final products at the final layer (L91).

The costs allocated within each layer of the model are shown in Figure 2 below.



The following sections describe each layer and provide details of the cost categories in each layer and the basis for their onward apportionment.

Revenue, costs, assets and liabilities from one layer are allocated to a later layer either based on a direct one-to-one allocation or apportionment using a cost driver.

The tables in this section show how costs are allocated or apportioned from one layer to another. The 'Destination' Column for each layer shows the 'Object' to which a value is allocated (if the AM Code is DIR_000) or apportioned, using the Apportionment Methodology ("AM") indicated in the column.

Layer 01 – General Ledger

All costs and revenues are entered at this level from the General Ledger (“GL”) and Fixed Asset Register (“FAR”). There are approximately 12,000 objects in Layer 01. All values at Layer 01 are allocated to Layer 11 – Grouped GL.

Layer 11 – Grouped GL

This layer aggregates GL values (to approximately 1,700 objects) for the purposes of onward apportionment and allocation

Values which are not relevant to the provision of services in the Hull Area are grouped into larger categories and allocated to various reconciling categories in subsequent layers.

Layer 15 – Overheads and Recharges

This layer is used to aggregate overhead costs. Costs are allocated to Overhead cost objects in Layer 68 as shown below:

Layer	Symbol	Name	Hierarchy	Parent	Unit	Object Allocates	Destination
L15	Recharges	Recharges	1	L15		SA_44	
L15	Estates Recharge Contra	Estates Recharge Contra	A	Recharges		SA_43	OH-General
L15	Finance Recharge Contra	Finance Recharge Contra	A	Recharges		SA_43	OH-Costs Not Recharged Finance
L15	HR Recharge Contra	HR Recharge Contra	A	Recharges		SA_43	OH-General
L15	Legal Recharge Contra	Legal Recharge Contra	A	Recharges		SA_43	OH-General
L15	Exec Recharge Contra	Exec Recharge Contra	A	Recharges		SA_43	OH-Costs Not Recharged Exec
L15	Cyber Recharge Contra	Cyber Recharge Contra	A	Recharges		SA_43	OH-Costs Not Recharged Cyber
L15	Regulatory Recharge Contra	Regulatory Recharge Contra	A	Recharges		SA_43	OH-General
L15	TSO Recharge Contra	TSO Recharge Contra	A	Recharges		SA_43	NC-OOS COSTS
L15	Rump Contra	Rump Contra	A	Recharges		SA_43	NC-OOS COSTS
L15	OH-Exec Costs	OH-Exec Costs	A	Recharges		SA_43	OH-Exec
L15	OH-Estates	OH-Estates	A	Recharges		SA_43	OH-General
L15	OH-HR	OH-HR	A	Recharges		SA_43	OH-General
L15	OH-Risk	OH-Risk	A	Recharges		SA_43	OH-General
L15	OH-Legal	OH-Legal	A	Recharges		SA_43	OH-General
L15	OH-Procurement	OH-Procurement	A	Recharges		SA_43	OH-General
L15	OH-Margin Assurance	OH-Margin Assurance	A	Recharges		SA_43	OH-General
L15	OH-Regulatory	OH-Regulatory	A	Recharges		SA_43	OH-General
L15	OH-Business Development	OH-Business Development	A	Recharges		SA_43	OH-General

Layer 21 – Support Costs

Support costs and assets are aggregated at this layer and allocated to support cost categories or direct cost activities.

The Support cost categories at Layer 21 and their onward apportionments are set out in Table 5 (and described in Section 7).

Table 5 – Layer 21 Support Costs and Support Assets

Layer	Symbol	Name	Hierarchy	Parent	Unit	Object Allocates	Destination	AM Code	AM Name
L21	SA	Support Assets	1	L21		SA_44			
L21	SA-General IT	General IT	A	SA		SA_43	OH-SA-General IT	DIR_000	Direct
L21	SA-Office Furniture	Office Furniture	A	SA		SA_43	OH-SA-Office Furniture	DIR_000	Direct
L21	SA-Non-network Bldgs	Non-network Bldgs	A	SA		SA_43	OH-SA-Non-network Bldgs	DIR_000	Direct
L21	SA-Residual	Residual	A	SA		SA_43	NC-OOS BS	DIR_000	Direct
L21	SA-Prod-Mgmt	Prod-Mgmt	A	SA		SA_43	NC-OOS COSTS	DIR_000	Direct
L21	SA-Billing-CSS-Sys	Billing-CSS-Sys	A	SA		SA_43	-	AM_2130	Billing
L21	SA-Corporate Assets	Corporate Assets	A	SA		SA_43	OH-SA-Corporate Assets	DIR_000	Direct
L21	SA-EYE Assets	EYE Assets	A	SA		SA_43	NC-EYE Assets	DIR_000	Direct
L21	SA-FFE Assets	FFE Assets	A	SA		SA_43	NC-FFE Fibre	DIR_000	Direct
L21	SA-OLA Out of Scope	OLA Out of scope	A	SC		SA_43	NC-OOS BS	DIR_000	Direct
L21	SC	Support Cost Centres	1	L21		SA_44			
L21	201413	Brand Finance	A	SC		SA_43	NC-OOS COSTS	DIR_000	Direct
L21	201418	Marketing	A	SC		SA_43	RCC-Marketing	DIR_000	Direct
L21	205011	Contact Centres Core	A	SC		SA_43	NC-OOS COSTS	DIR_000	Direct
L21	210301	Wholesale	A	SC		SA_43	OH-General	DIR_000	Direct
L21	NSC	TSO Network Support Costs	1	L21		SA_44			
L21	NSC-Network Support	General Network Support	A	NSC		SA_43	NOC-Network Operations	DIR_000	Direct
L21	NSC-Support Contracts	Support Contracts	A	NSC		SA_43	-	AM_2110	TSO Support
L21	NSC-Platforms	Platforms	A	NSC		SA_43	-	AM_2110	TSO Support
L21	NSC-TSO Field Ops	TSO Field Ops	A	NSC		SA_43	-	AM_2120	Field Ops
L21	NSC-Eng Ops	Eng Ops	A	NSC		SA_43	-	AM_2140	Eng Ops
L21	NSC-CSOC	CSOC	A	NSC		SA_43	-	AM_2150	CSOC
L21	SA Stocks	Stocks	1	L21		SA_44			
L21	Network Stocks OLA	Network Stocks OLA	A	SA Stocks		SA_43	CP-STOCK-Network Whls	DIR_000	Direct
L21	Network Stocks OOS	Network Stocks OOS	A	SA Stocks		SA_43	NC-OOS BS	DIR_000	Direct
L21	Network Stocks Fibre	Network Stocks Fibre	A	SA Stocks		SA_43	CP-STOCK-Fibre	DIR_000	Direct

Layer 41 – Primary Costs

Costs at this layer represent aggregated costs for operating and support activities.

The Primary cost categories at Layer 41 and their onward apportionments are set out in Table 6 (and described in Section 7).

Table 6 – Layer 41

Layer	Symbol	Name	Hierarchy	Parent	Unit	Object Allocates	Destination
L41	PCC	Primary Cost Centres	1	L41		SA_44	
L41	S001	Enterprise - Private	2	PCC		SA_44	
L41	201101	Marketing	C	S001		SA_43	NC-OOS COSTS
L41	201102	Sales - Principles	C	S001		SA_43	NC-OOS COSTS
L41	S002	Enterprise - Public	2	PCC		SA_44	
L41	201111	Marketing	C	S002		SA_43	NC-OOS COSTS
L41	201112	Sales - Central Govt	C	S002		SA_43	NC-OOS COSTS
L41	S003	Enterprise - Shared	2	PCC		SA_44	
L41	201121	Ent. Central Pract.	C	S003		SA_43	NC-OOS COSTS
L41	201122	Marketing Costs	C	S003		SA_43	NC-OOS COSTS
L41	201123	Proposition Product Manager	C	S003		SA_43	NC-OOS COSTS
L41	201124	Sales - Bid Support	C	S003		SA_43	NC-OOS COSTS
L41	201125	Sales - Client Princ	C	S003		SA_43	NC-OOS COSTS
L41	201126	Sales Ops & Strategy	C	S003		SA_43	NC-OOS COSTS
L41	201127	Consultancy Fee Earn	C	S003		SA_43	NC-OOS COSTS
L41	201128	Consultancy Pre Sale	C	S003		SA_43	NC-OOS COSTS
L41	201129	Consult Bus Ser Sale	C	S003		SA_43	NC-OOS COSTS
L41	201130	ConsultCentral Mgmt	C	S003		SA_43	NC-OOS COSTS
L41	S011	Wholesale - Hull	2	PCC		SA_44	
L41	S012	Wholesale - National	2	PCC		SA_44	
L41	201031	Partners	C	S012		SA_43	OH-WCC-Wholesale CC
L41	210104	Wholesale	C	S012		SA_43	OH-WCC-Wholesale CC
L41	S021	Consumer	2	PCC		SA_44	
L41	201012	Customer & Tech Svcs	C	S021		SA_43	RCC-Cons-Cust Tech Serv
L41	201016	Consumer Sales & Eng	C	S021		SA_43	RCC-Cons Sales Eng
L41	S031	SMB - Hull	2	PCC		SA_44	
L41	201002	Business Sales	C	S031		SA_43	RCC-SMB- Business Sales
L41	201003	Business Marketing	C	S031		SA_43	RCC-SMB-Business Marketing
L41	201004	Business Solutions	C	S031		SA_43	RCC-SMB-Other
L41	201005	Safe At Home	C	S031		SA_43	RCC-SMB-Other
L41	201006	Directories	C	S031		SA_43	NC-OOS COSTS
L41	205002	CC Other	C	S031		SA_43	NC-OOS COSTS
L41	S032	SMB - National	2	PCC		SA_44	
L41	201041	SMB National Sales	C	S032		SA_43	NC-OOS COSTS
L41	201042	SMB National Product	C	S032		SA_43	NC-OOS COSTS
L41	201043	SMB National Mktg	C	S032		SA_43	NC-OOS COSTS
L41	201045	NNS	C	S032		SA_43	NC-OOS COSTS
L41	S033	SMB - Shared	2	PCC		SA_44	
L41	201011	Customer Insight	C	S033		SA_43	RCC-Cons Sales Other
L41	201017	Customer Improvement	C	S033		SA_43	RCC-Cons Sales Other
L41	201022	SMB/Con/Wsale Centra	C	S033		SA_43	RCC-Cons Sales Other
L41	S098	Interconnect & Other	2	PCC		SA_44	
L41	S099	Intercompany	2	PCC		SA_44	
L41	201201	Sales - Support Desk	C	S099		SA_43	NC-OOS COSTS
L41	201202	Pre-Sales	C	S099		SA_43	NC-OOS COSTS
L41	201203	Integ. & Develop	C	S099		SA_43	NC-OOS COSTS
L41	201204	Programme/Proj Mgmt	C	S099		SA_43	NC-OOS COSTS
L41	201205	PMO	C	S099		SA_43	NC-OOS COSTS
L41	201206	Prof Service General	C	S099		SA_43	NC-OOS COSTS
L41	209401	GFS	C	S099		SA_43	NC-OOS COSTS
L41	201090	Finance	C	S099		SA_43	NC-OOS COSTS
L41	202090	Finance	C	S099		SA_43	NC-OOS COSTS
L41	205090	Finance	C	S099		SA_43	NC-OOS COSTS
L41	203090	Finance	C	S099		SA_43	NC-OOS COSTS
L41	204090	Finance	C	S099		SA_43	NC-OOS COSTS
L41	206090	Finance	C	S099		SA_43	NC-OOS COSTS
L41	201412	HR	C	S099		SA_43	NC-OOS COSTS
L41	201416	Legal	C	S099		SA_43	NC-OOS COSTS
L41	201417	Corporate Executive	C	S099		SA_43	NC-OOS COSTS
L41	201501	Pool - Architecture	C	S099		SA_43	NC-OOS COSTS
L41	201502	Pool - Programme Manager & Project Co-ordinat	C	S099		SA_43	NC-OOS COSTS
L41	201503	Pool - Customer Service and Support	C	S099		SA_43	NC-OOS COSTS
L41	201504	Pool - Design & Development	C	S099		SA_43	NC-OOS COSTS
L41	201505	Pool - Resource Scheduling	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 201422	Business Development Cost Centre	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 201431	Rump Costs Cost Centre	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 201432	Titan Costs Cost Centre	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210119	NB Core Platforms and Infrastructure	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210120	NB Customer Service Operations CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210121	NB Engineering Delivery CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210122	NB Technology Central CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210123	NB Estates CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210124	NB Finance CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210125	NB Legal etc CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210126	NB Digital CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210009	Technology Retail CC	C	S099		SA_43	NC-OOS COSTS
L41	Cost Centre 210210	Direct Wholesale Costs CC	C	S099		SA_43	-
L41	NOC	TSO Network Operating Costs	2	PCC		SA_44	
L41	NOC-Network Operations	Network Support	C	NOC		SA_43	-
L41	NOC-Data	Network Data	C	NOC		SA_43	NC-Bandwidth external
L41	NOC-Voice	Voice Network	C	NOC		SA_43	NC-Processor
L41	NOC-Horizon Hull Network	Horizon Hull Network	C	NOC		SA_43	-
L41	NOC-Hereditament	Hereditament	C	NOC		SA_43	-
L41	NOC-Copper Field Ops	Copper Field Ops	C	NOC		SA_43	-
L41	NOC-Fibre Field Ops	Fibre Field Ops	C	NOC		SA_43	-
L41	NOC-Other Field Ops	Other Field Ops	C	NOC		SA_43	NC-Field Ops Other
L41	NOC-Power	Power	C	NOC		SA_43	-
L41	NOC-Provisioning	Provisioning	C	NOC		SA_43	NC-Provisioning
L41	NOC-Business Field Ops	Business services Field Ops	C	NOC		SA_43	NC-Business Field Ops
L41	NOC-Voice Field Ops	Voice services Field Ops	C	NOC		SA_43	NC-Voice Field Ops
L41	NOC-BIT	Business Installs Team	C	NOC		SA_43	-
L41	NOC-BPG	Business Provisioning Group	C	NOC		SA_43	-
L41	NOC-FFE Field Ops	FFE Field Ops	C	NOC		SA_43	-
L41	NOC-Core Network	Core network op costs	C	NOC		SA_43	PA-Core-Fibre

Layer 51 – Network Support Assets

Network Support Assets include duct, Core SDH, TDM and IP assets which are allocated to Assets in Layers 61 and 71.

The Network Support Asset categories and apportionment bases are set out in Table 7 below (and described in Section 7).

Table 7 – Network Support Asset Categories

Layer	Symbol	Name	Hierarchy	Parent	Unit	Object Allocates	Destination	AM Code	AM Name	Driver
L51	NSA	Network Support Assets	1	L51		SA_44				
L51	NSA-Duct EYD	Duct EYD	A	NSA		SA_43	-	AM_501	Duct Analysis	GRC_CLS
L51	NSA-Core TDM	Core TDM	A	NSA		SA_43	NC-SDH Equipment	DIR_000	Direct	
L51	NSA-Core IP	Core IP	A	NSA		SA_43	NC-IP Equipment	DIR_000	Direct	
L51	NSA-Exchange Bldg	Exchange Bldg	A	NSA		SA_43	-	AM_504	Exchange Bldg Analysis	GRC_CLS
L51	NSA-Network IT	Network IT	A	NSA		SA_43	-	AM_505	Network IT Analysis	GRC_CLS
L51	NSA-Network Vehicles	Network Vehicles	A	NSA		SA_43	-	AM_506	Network Vehicles Analysis	GRC_CLS
L51	NSA-NGA Support	NGA Support	A	NSA		SA_43	-	AM_508	NGA Support Analysis	GRC_CLS
L51	NSA-Concentrator EYD	Concentrator EYD	A	NSA		SA_43	-	AM_509	Core-Access Split	
L51	NSA-Processor EYD	Processor EYD	A	NSA		SA_43	NC-Processor	DIR_000	Direct	
L51	NSA-CPE	CPE	A	NSA		SA_43	-	AM_511	CPE Analysis	SA_33
L51	NSA-NGA Exchange Assets	NSA-NGA Exchange Assets	A	NSA		SA_43	-	AM_515	NGA Exch Assets	SA_33
L51	NSA-NGA Systems	NSA-NGA Systems	A	NSA		SA_43	-	AM_515	NGA Exch Assets	SA_33
L51	NSA-Outsource NW Support	Outsource NW Support	A	NSA		SA_43	-	AM_512	Outsource support	OPEX PLUS CCA DEPN
L51	NSA-Network Support	Network Support	A	NSA		SA_43	-	AM_513	Network Support	OPEX PLUS CCA DEPN
L51	NSA-Bus-Provisioning	Bus-Provisioning	A	NSA		SA_43	-	AM_514	Business Provisioning	OPEX PLUS CCA DEPN

Layer 61 – Primary Assets

Asset costs are aggregated at Layer 61 to receive apportionments of support costs.

The Primary Asset categories and apportionment bases are set out in Table 8 (and described in Section 7).

Table 8 – Layer 61 Primary Assets

Layer	Symbol	Name	Hierarchy	Parent	Unit	Object Allocates	Destination	AM Code	AM Name
L61	PA	Primary Assets	1	L61		SA_44			
L61	PA-Access Equipment	PA-Access Equipment	A	PA		SA_43	NC-Access Copper	DIR_000	Direct
L61	PA-Access-Copper	PA-Access-Copper	A	PA		SA_43	NC-Access Copper	DIR_000	Direct
L61	PA-Access-Copper-Drop	PA-Access-Copper-Drop	A	PA		SA_43	NC-Access Copper	DIR_000	Direct
L61	PA-Access-Fibre-NGA-Drop	PA-Access-Fibre-NGA-Drop	A	PA		SA_43	NC-Access Fibre NGA Drop	DIR_000	Direct
L61	PA-Access-Duct	PA-Access-Duct	A	PA		SA_43	NC-Access Duct	DIR_000	Direct
L61	PA-Poles	PA-Poles	A	PA		SA_43	NC-Access Poles	DIR_000	Direct
L61	PA-Access Fibre LL	PA-Access Fibre LL	A	PA		SA_43	NC-Access Fibre LL	DIR_000	Direct
L61	PA-Core Duct	PA-Core Duct	A	PA		SA_43	NC-Core Duct	DIR_000	Direct
L61	PA-LL-CPE	PA-Leased Lines-CPE	A	PA		SA_43	NC-LL Installs	DIR_000	Direct
L61	PA-TISBO CPE Equipment	PA-TISBO CPE Equipment	A	PA		SA_43	NC-TISBO CPE Equip	DIR_000	Direct
L61	PA-ISDN2 CPE/NTP	PA-ISDN2 CPE/NTP	A	PA		SA_43	NC-ISDN2 CPE/NTP	DIR_000	Direct
L61	PA-ISDN 30 CPE/NTP	PA-ISDN 30 CPE/NTP	A	PA		SA_43	NC-ISDN 30 CPE/NTP	DIR_000	Direct
L61	PA-NGA CPE Bus	PA-NGA CPE Bus	A	PA		SA_43	NC-ISDN 30 CPE/NTP	AM_601	NGA CPE Analysis
L61	PA-LL-Exch-Equip	PA-Leased Lines-Exch-Equip	A	PA		SA_43	NC-LL Exch Equip	DIR_000	Direct
L61	PA-Concentrator - Usage	PA-Concentrator - Usage	A	PA		SA_43	NC-Conc - Usage	DIR_000	Direct
L61	PA-Core-Fibre	PA-Core-Fibre	A	PA		SA_43	NC-Core Fibre	DIR_000	Direct
L61	PA-DSLAM	PA-DSLAM	A	PA		SA_43	NC-DSLAM	DIR_000	Direct
L61	PA-NGA CPE	PA-NGA CPE	A	PA		SA_43	NC-NGA CPE Cons	DIR_000	Direct
L61	PA-NGA Exchange Equipment	PA-NGA Exchange Equipment	A	PA		SA_43	NC-BB Aggregation Equipment	DIR_000	Direct
L61	PA-Optical Ethernet switches	PA-Optical Ethernet switches	A	PA		SA_43	NC-Opt Ethernet switches	DIR_000	Direct
L61	PA-TISBO-Exchange Equipment	PA-TISBO-Exchange Equipment	A	PA		SA_43	NC-TISBO Exch Equip	DIR_000	Direct
L61	PA-NGA Passive	PA-NGA Passive	A	PA		SA_43		AM_602	NGA Passive Analysis
L61	PA-EYE Assets	EYE Assets	A	PA		SA_43	NC-EYE Assets	DIR_000	Direct
L61	PA-FFE Assets	FFE Assets	A	PA		SA_43	NC-FFE Fibre	DIR_000	Direct
L61	PA-BB Aggregation Equipment	PA-BB Aggregation Equipment	A	PA		SA_43	NC-BB Aggregation Equipment	DIR_000	Direct
L61	PA-BB Access Equipment	PA-BB Access Equipment	A	PA		SA_43	NC-BB Access Equipment	DIR_000	Direct
L61	PA-NGA Core	PA-NGA Core	A	PA		SA_43	NC-BB Aggregation Equipment	DIR_000	Direct
L61	PA-Access-Fibre-NGA-General	PA-Access-Fibre-NGA-General	A	PA		SA_43	NC-Access Fibre NGA Drop	DIR_000	Direct
L61	PA-NGA Installs	PA-NGA Installs	A	PA		SA_43	NC-Access Fibre NGA Drop	DIR_000	Direct
L61	PA-NGA Voice	PA-NGA Voice	A	PA		SA_43	NC-NGA Voice	DIR_000	Direct

Layer 68 – Overheads

Overhead cost categories are aggregated at Layer 68 for onward apportionment. Overhead categories and apportionment bases are set out in Table 10 below (and described in Section 7).

Table 10 – Layer 68 Overheads

Layer	Symbol	Name	Destination	AM Code	AM Name
L68	Overheads	Overheads			
L68	OH-SA	Support Assets			
L68	OH-SA-General IT	General IT		AM_6807	Other recharges
L68	OH-SA-Office Furniture	Office Furniture		AM_6807	Other recharges
L68	OH-SA-Non-network Bldgs	Non-network Bldgs		AM_6807	Other recharges
L68	OH-SA-Corporate Assets	Corporate Assets		AM_6807	Other recharges
L68	OH-SC	Support Cost Centres			
L68	OH-General	OH-General		AM_6806	Other recharges
L68	OH-Exec	OH-Exec		AM_6806	Other recharges
L68	OH-Costs Not Recharged Exec	OH-Costs Not Recharged Exec		AM_6806	Other recharges
L68	OH-Costs Not Recharged Finance	OH-Costs Not Recharged Finance		AM_6806	Other recharges
L68	OH-Costs Not Recharged Cyber	OH-Costs Not Recharged Cyber		AM_6806	Other recharges
L68	OH-WCC-Wholesale CC	Wholesale CC SGA	-	AM_6805	Wholesale CC
L68	OH-HEY Consumer Marketing	HEY Consumer Marketing	RCC-Cons-Cust Tech Serv	DIR_000	Direct
L68	OH-HEY Business Marketing	HEY Business Marketing	RCC-SMB-Business Marketin	DIR_000	Direct
L68	OH-WC	Working Capital			
L68	OH-Cash-1001	OH-Cash-1001	NC-OOS BS	DIR_000	Direct
L68	OH-DEBTORS-1001 IC	OH-DEBTORS-1001 IC	NC-OOS BS	DIR_000	Direct
L68	OH-DEBTORS-1001 OOS	OH-DEBTORS-1001 OOS	NC-OOS BS	DIR_000	Direct
L68	OH-DEBTORS-1001 Whls	OHP-DEBTORS-1001 Whls	-	AM_6801	Working Capital
L68	OH-DEBTORS-1001 SMB	OH-DEBTORS-1001 SMB	-	AM_6801	Working Capital
L68	OH-DEBTORS-1001 Cons	OH-DEBTORS-1001 Cons	CP-DEBTORS-Cons	DIR_000	Direct
L68	OH-DEBTORS-1001 Others Corp	OH-DEBTORS-1001 Others Corp	-	AM_6801	Working Capital
L68	OH-DEBTORS-1001 HEY	OH-DEBTORS-1001 HEY	-	AM_6801	Working Capital
L68	OH-CREDITORS-1001 Corp	OH-CREDITORS-1001 Corp	-	AM_6801	Working Capital
L68	OH-CREDITORS-1001 OOS	OH-CREDITORS-1001 OOS	NC-OOS BS	DIR_000	Direct
L68	OH-CREDITORS-1001 SMB	OH-CREDITORS-1001 SMB	-	AM_6801	Working Capital
L68	OH-CREDITORS-1001 Cons	OH-CREDITORS-1001 Cons	CP-CREDITORS-Cons	DIR_000	Direct
L68	OH-CREDITORS-1001 Whls	OH-CREDITORS-1001 Whls	-	AM_6801	Working Capital
L68	OH-CREDITORS-1001 Others Corp	OH-CREDITORS-1001 Others Corp	-	AM_6801	Working Capital
L68	OH-CREDITORS-1001 HEY	OH-CREDITORS-1001 HEY	-	AM_6801	Working Capital

Layer 71 – Components

Network components aggregate the costs used to deliver network services for onward apportionment to network products.

Details of the components used in the RFS model are set out in Annex 2.

Layer 81 – Network Products

Layer 81 calculates the costs of network Products defined to match the wholesale and retail services sold by KCOM.

Details of Network Product Categories are set out in Annex 3.

Layer 91 – Wholesale & Retail Products

Fully allocated costs for wholesale and retail services sold by KCOM in the relevant markets are calculated at Layer 91 by aggregating Network Products with appropriate SGA costs from Layer 81.

Details of Wholesale & Retail Product Categories are set out in Annex 3.

7. Cost Apportionment Methodologies

Introduction

This section describes the cost apportionment methodologies used in the RFS Model to allocate fully KCOM's revenues, costs and liabilities to individual services reported on in the RFS Markets.

KCOM's approach to apportionment is to seek to identify the appropriate driver for each item and, as far as possible, use objective operational and/or financial data relevant to that driver to generate apportionment bases.

Layer 11 – Apportionment Methodologies

Asset Migration Account (AM_1120)

KCOM's fixed asset register (FAR) automatically calculates depreciation based on the year of acquisition and input asset life. The asset migration account is used where manual adjustments to the fixed asset register depreciation is needed. There were no adjustments during 2025.

Stocks (AM_1130)

Stock reports are analysed to identify the proportions of stores items relating to the Hull Network generally, the fibre network in Hull, and network outside of Hull/regulated markets. The resulting proportions allocate stores to the relevant cost objects in Layer 21.

Network Costs (AM_1160)

AM1160 allocates the costs of the Wholesale and Networks business segment cost centres (previously known as Technical Services and Operations) to network assets or components based on an analysis of the underlying activities of the cost centres. This is done using detailed analyses of the pay and other costs of different teams and the costs of IT systems used by the business.

Costs recovered from Nasstar for the provision of engineering services for running the National Business following its sale are treated as a negative cost in this allocation and deducted from the gross costs recorded in the relevant cost centres allocated using this allocation methodology. Any profit or loss on the sale of the services is allocated to Retail Residual.

Cost centres allocated are:

C210201	Technology Strategy
C210202	Core Platform and Infrastructure
C210203	Digital
C210206	Engineering Delivery
C210208	Networks Central

Depending on the cost centre, costs are allocated to the following cost objects:

NSC-TSO Field Ops
NOC-Voice
NSC-Network Support
NSC-CSOC
NOC-Power
NOC-Hereditament
NC-COS-Other OLA
NOC-Network Operations
NC-Core Fibre
RCC-Billing
NC-Bandwidth external
NC-BB Aggregation Equipment
NC-LL CPE Equip
NC-FFE Fibre
OH-General
Rump Costs Contra

Layer 21 – Apportionment Methodologies

Billing systems (AM_2130)

The value of KCOM's billing systems is apportioned to its wholesale and retail channel assets (WCC-Billing and RCC-Billing) in Layer 71 proportionately to external revenues recorded in the GL.

Field Ops (AM_2120)

The costs of the TSO Field Operations team are apportioned to copper, fibre, business and 'other' field cost categories in Layer 41 based on KCOM management's estimate of the FTE of the copper, fibre and other teams in the Field Ops Cost Centre. The estimate has resulted in an overall split as follows:

Data Input to Model						
Source Code	Source Name	Destination Code	Destination Name	AM Code	AM Name	Values
NSC-TSO Field Ops	Field Ops	NOC-Fibre Field Ops	NOC-Fibre Field Ops	AM_2120	TSO Field Op Costs	119776
NSC-TSO Field Ops	Field Ops	NOC-BIT	NOC-BIT	AM_2120	TSO Field Op Costs	38038
NSC-TSO Field Ops	Field Ops	NOC-BPG	NOC-BPG	AM_2120	TSO Field Op Costs	105588
NSC-TSO Field Ops	Field Ops	NOC-Copper Field Ops	NOC-Copper Field Ops	AM_2120	TSO Field Op Costs	0
NSC-TSO Field Ops	Field Ops	NOC-FFE Field Ops	NOC-FFE Field Ops	AM_2120	TSO Field Op Costs	194328
NSC-TSO Field Ops	Field Ops	NOC-Other Field Ops	NOC-Other Field Ops	AM_2120	TSO Field Op Costs	0
NSC-TSO Field Ops	Field Ops	NOC-Voice Field Ops	NOC-Voice Field Ops	AM_2120	TSO Field Op Costs	216998
NSC-TSO Field Ops	Field Ops	NOC-Core Network	NOC-Core Network	AM_2120	TSO Field Op Costs	0
NSC-TSO Field Ops	Field Ops	NSA-Duct EYD	NSA-Duct EYD	AM_2120	TSO Field Op Costs	32014

Layer 41 – Apportionment Methodologies

Network Operating Costs (AM-4120)

Network Operating Costs included in this allocation include:

- Hereditament Costs
- Power costs
- Network Operations Costs

Hereditament Costs

Hereditament Costs are apportioned to the Primary Assets in Layer 61 based on the GRC of the assets shown in Table 14 below.

Table 14 – Hereditament Cost allocations

NOC-Hereditament	Hereditament	PA-Access-Copper	PA-Access-Copper
NOC-Hereditament	Hereditament	PA-Access-Copper-Drop	PA-Access-Copper-Drop
NOC-Hereditament	Hereditament	PA-Access-Fibre-NGA-Drop	PA-Access-Fibre-NGA-Drop
NOC-Hereditament	Hereditament	PA-Access Fibre LL	PA-Access Fibre LL
NOC-Hereditament	Hereditament	PA-Core-Fibre	PA-Core-Fibre
NOC-Hereditament	Hereditament	PA-NGA Passive	PA-NGA Passive
NOC-Hereditament	Hereditament	PA-FFE Assets	PA-FFE Assets
NOC-Hereditament	Hereditament	PA-Access-Fibre-NGA-General	PA-Access-Fibre-NGA-General
NOC-Hereditament	Hereditament	PA-Access-Duct	PA-Access-Duct
NOC-Hereditament	Hereditament	PA-Core Duct	PA-Core Duct

Power Costs

Power Costs are apportioned to the Primary Assets in Layer 61 using the split of power consumption at each exchange.

Budgeted power costs for each exchange building are allocated using estimated percentage usages for the following equipment types where they are present in an exchange:

NC-TISBO Exch Equip	3.0%
NC-SDH Equipment	3.0%
NC-IP Equipment	4.5%
PA-Leased Lines-Exch-Equip	9.5%
NC-BB Aggregation Equipment	7.4%
NC-BB Access Equipment	7.4%
NC-DSLAM	4.5%
PA-Concentrator - Usage	29.2%
NC-OOS COSTS	13.5%
PA-Access Equipment	10.6%
PA-FFE Assets	7.5%

Network Operations Costs

Network Operations Costs comprise network wide operating costs (mainly IT systems). These are apportioned to the relevant Primary Asset Categories in Layer 61 shown in Table 13.

Table 13 – Primary cost Categories for Network Support Costs

PA-Access Equipment
PA-Access-Copper
PA-Access-Copper-Drop
PA-Access-Fibre-NGA-Drop
PA-Access Fibre LL
PA-LL-CPE
PA-LL-Exch-Equip
PA-Concentrator - Usage
PA-Core-Fibre
PA-DSLAM
PA-NGA CPE
PA-Access-Fibre-NGA-General
PA-Access-Duct
PA-Core Duct
PA-Optical Ethernet switches
PA-TISBO-Exchange Equipment
PA-NGA Passive
PA-EYE Assets
PA-FFE Assets
PA-BB Aggregation Equipment
PA-BB Access Equipment
PA-NGA Core
PA-Poles

Field Teams (AM_4130)

The costs of the Field Operations teams are allocated to copper, fibre and installation components in Layer 71 based on management estimates of the activities of each team member across the year.

Wholesale and E2E Teams (AM_4140)

The Teams supports the sale of services to retail and wholesale customers. The costs of the team are allocated based on management estimates of the activities of each team member across the year.

Costs are allocated to the following cost components in Layer 71:

NC-BackOffProv BB Cons
NC-BackOffProv BB Bus
NC-BackOffProv LL
NC-BackOffProv Voice
RCC-Cons Sales Other

Layer 51 – Apportionment Methodologies

Duct (AM_501)

The costs of duct are apportioned to the relevant copper and fibre assets (at Layer 61 - Primary Assets) based on the GRC of those assets.

Exchange Buildings (AM_504)

The costs of Exchange Buildings are apportioned to the assets used to deliver access products (at Layer 61 - Primary Assets) based on the GRC of those assets. This includes the assets shown in the table below:

Destination Code
PA-Access-Copper-Drop
PA-Access-Fibre-NGA-Drop
PA-CISBO-CPE
PA-CISBO-Exch-Equip
PA-Concentrator - Usage
PA-Core-Fibre
PA-DSLAM
PA-NGA Exchange Equipment
PA-Optical Ethernet switches
PA-TISBO-Exchange Equipment
PA-NGA Passive

Network IT (AM_505)

The costs of Network IT are apportioned to network assets (at Layer 61 - Primary Assets) based on the GRC of those assets.

Network Vehicles (AM_506)

The costs of Network Vehicles are apportioned to network assets (at Layer 61 - Primary Assets) based on the GRC of those assets.

NGA Support (AM-508)

The costs of NGA support assets are apportioned over relevant NGA assets (at Layer 61 - Primary Assets) based on the GRC of those assets.

Core Access (AM-509)

Split of concentrator costs between line-cards (90%) and traffic (10%).

CPE (AM_511)

The costs of customer premises equipment (CPE) are apportioned to PSTN, ISDN2, ISDN30 Plant Groups based on management estimates of the relative costs for customer equipment for these different types of service. The assumed split based on management estimates is 1:1:1 for PSTN, ISDN2, ISDN30 services.

Outsourced Network Support (AM_512)

The costs of capitalized outsourced network support assets are apportioned to copper and fibre assets (at Layer 61 - Primary Assets) based on previously allocated Opex plus Depreciation.

NGA Exchange Equipment (AM_515)

For the purposes of reporting separately costs in the WLA and WBA markets it is necessary to allocate NGA exchange equipment and NGA Systems cost between these two different markets. Much of this equipment and systems, in particular the Headend electronics is common to the provisioning of both services, and KCOM's fixed asset register does not include sufficient detail to disaggregate costs between use for WBA or WLA services.

Management therefore considers it reasonable to allocate the costs of NGA Exchange Equipment and NGA Systems equally between two Primary Assets in Layer 61: Broadband Aggregation Equipment (allocation of 50% of cost) which is used to provide WBA services and Broadband Access Equipment (allocation of 50% of cost) which is used to provide WLA services.

Layer 61 – Apportionment Methodologies

NGA CPE (AM_601)

The costs of NGA CPE are apportioned to NGA Consumer and Business Plant Groups on a 50:50 basis.

NGA Passive (AM_602)

The costs of NGA Passive Assets are apportioned to Spine, Distribution and Drop Plant Groups based on the relative NGA cable count data extracted from KCOM's GIS database.

Layer 68 – Apportionment Methodologies

Working Capital AM_6801

External debtors and creditors for the different business segments are apportioned to relevant components proportionately to revenues.

Other Recharges (AM_6806)

This methodology allocates overheads to network components proportionate to previously allocated operating expenditure plus capex additions. Allocations are shown in the table below.

NC-Access Copper
NC-Access Fibre LL
NC-Access Fibre NGA Spine
NC-Access Fibre NGA Dist
NC-Access Fibre NGA Drop
NC-Access Duct
NC-Access Poles
NC-Core Fibre
NC-Core Fibre NGA
NC-Core Duct
NC-BB BSIL
NC-LL Exch Equip
NC-LL CPE Equip
NC-TISBO Exch Equip
NC-Tier 1 and 2 ATM switches
NC-DSLAM
NC-Opt Ethernet switches
NC-Processor
NC-SDH Equipment
NC-IP Equipment
NC-Ethernet LL Equip
NC-BB Aggregation Equipment
NC-BB Access Equipment
NC-NGA Voice
NC-Exch - Lines
NC-Conc - Usage
NC-Field Ops Copper Faults
NC-Field Ops Copper Installs
NC-Field Ops Fibre Faults
NC-Field Ops Fibre Installs
NC-Field Ops Other
NC-Business Field Ops
NC-FFE Field Ops Faults
NC-FFE Field Ops Installs
NC-Voice Field Ops
NC-BIT
NC-LL Installs
NC-LL Faults
NC-DSL Faults
NC-BackOffProv BB Cons
NC-BackOffProv BB Bus
NC-BackOffProv LL
NC-BackOffProv Voice
NC-BackOffMaint BB
NC-BackOffMaint LL
NC-BackOffMaint Voice
NC-PPP
WCC-Partners
NC-TISBO CPE Equip
NC-PSTN CPE/NTP
NC-ISDN2 CPE/NTP
NC-ISDN 30 CPE/NTP
NC-NGA Systems
NC-NGA CPE Cons
NC-NGA CPE Bus
NC-Bandwidth external
NC-Lines-Bus-Rent
NC-LL BW COS
NC-LL WHLS RES
WCC-Billing
RCC-Cons-Cust Tech Serv
RCC-Cons Sales Other
RCC-Cons Sales Eng
RCC- SMB- Business Sales
RCC-SMB-Business Marketing
RCC-SMB-Other
RCC-Billing
RCC-Interconnect
RCC-Marketing
RCC-LL-Conn
RCC-LL-CCTV-Rent
NC-OOS BS
NC-OOS COSTS
NC-COS-Other OLA
NC-EYE Assets
NC-EYE Fibre
NC-FFE Fibre

NC-Access Copper
NC-Access Fibre LL
NC-Access Fibre NGA Spine
NC-Access Fibre NGA Dist
NC-Access Fibre NGA Drop
NC-Access Duct
NC-Access Poles
NC-Core Fibre
NC-Core Fibre NGA
NC-Core Duct
NC-BB BSIL
NC-LL Exch Equip
NC-LL CPE Equip
NC-TISBO Exch Equip
NC-Tier 1 and 2 ATM switches
NC-DSLAM
NC-Opt Ethernet switches
NC-Processor
NC-SDH Equipment
NC-IP Equipment
NC-Ethernet LL Equip
NC-BB Aggregation Equipment
NC-BB Access Equipment
NC-NGA Voice
NC-Exch - Lines
NC-Conc - Usage
NC-Field Ops Copper Faults
NC-Field Ops Copper Installs
NC-Field Ops Fibre Faults
NC-Field Ops Fibre Installs
NC-Field Ops Other
NC-Business Field Ops
NC-FFE Field Ops Faults
NC-FFE Field Ops Installs
NC-Voice Field Ops
NC-BIT
NC-LL Installs
NC-LL Faults
NC-DSL Faults
NC-BackOffProv BB Cons
NC-BackOffProv BB Bus
NC-BackOffProv LL
NC-BackOffProv Voice
NC-BackOffMaint BB
NC-BackOffMaint LL
NC-BackOffMaint Voice
NC-PPP
WCC-Partners
NC-TISBO CPE Equip
NC-PSTN CPE/NTP
NC-ISDN2 CPE/NTP
NC-ISDN 30 CPE/NTP
NC-NGA Systems
NC-NGA CPE Cons
NC-NGA CPE Bus
NC-Bandwidth external
NC-Lines-Bus-Rent
NC-LL BW COS
NC-LL WHLS RES
WCC-Billing
RCC-Cons-Cust Tech Serv
RCC-Cons Sales Other
RCC-Cons Sales Eng
RCC- SMB- Business Sales
RCC-SMB-Business Marketing
RCC-SMB-Other
RCC-Billing
RCC-Interconnect
RCC-Marketing
RCC-LL-Conn
RCC-LL-CCTV-Rent
NC-OOS BS
NC-OOS COSTS
NC-COS-Other OLA
NC-EYE Assets
NC-EYE Fibre
NC-FFE Fibre

NC-Access Copper
NC-Access Fibre LL
NC-Access Fibre NGA Spine
NC-Access Fibre NGA Dist
NC-Access Fibre NGA Drop
NC-Access Duct
NC-Access Poles
NC-Core Fibre
NC-Core Fibre NGA
NC-Core Duct
NC-BB BSIL
NC-LL Exch Equip
NC-LL CPE Equip
NC-TISBO Exch Equip
NC-Tier 1 and 2 ATM switches
NC-DSLAM
NC-Opt Ethernet switches
NC-Processor
NC-SDH Equipment
NC-IP Equipment
NC-Ethernet LL Equip
NC-BB Aggregation Equipment
NC-BB Access Equipment
NC-NGA Voice
NC-Exch - Lines
NC-Conc - Usage
NC-Field Ops Copper Faults
NC-Field Ops Copper Installs
NC-Field Ops Fibre Faults
NC-Field Ops Fibre Installs
NC-Field Ops Other
NC-Business Field Ops
NC-FFE Field Ops Faults
NC-FFE Field Ops Installs
NC-Voice Field Ops
NC-BIT
NC-LL Installs
NC-LL Faults
NC-DSL Faults
NC-BackOffProv BB Cons
NC-BackOffProv BB Bus
NC-BackOffProv LL
NC-BackOffProv Voice
NC-BackOffMaint BB
NC-BackOffMaint LL
NC-BackOffMaint Voice
NC-PPP
WCC-Partners
NC-TISBO CPE Equip
NC-PSTN CPE/NTP
NC-ISDN2 CPE/NTP
NC-ISDN 30 CPE/NTP
NC-NGA Systems
NC-NGA CPE Cons
NC-NGA CPE Bus
NC-Bandwidth external
NC-Lines-Bus-Rent
NC-LL BW COS
NC-LL WHLS RES
WCC-Billing
RCC-Cons-Cust Tech Serv
RCC-Cons Sales Other
RCC-Cons Sales Eng
RCC-SMB-Business Sales
RCC-SMB-Business Marketing
RCC-SMB-Other
RCC-Billing
RCC-Interconnect
RCC-Marketing
RCC-LL-Conn
RCC-LL-CCTV-Rent
NC-OOS BS
NC-OOS COSTS
NC-COS-Other OLA
NC-EYE Assets
NC-EYE Fibre
NC-FFE Fibre

Support Assets (AM_6807)

Allocates overhead support assets to all components apart from working capital in layer 71 using a cost driver of previously allocated Opex plus Capital Expenditure of the relevant network components in L71. Allocations are shown below.

NC-Access Copper
NC-Access Fibre LL
NC-Access Fibre NGA Spine
NC-Access Fibre NGA Dist
NC-Access Fibre NGA Drop
NC-Access Duct
NC-Access Poles
NC-Core Fibre
NC-Core Fibre NGA
NC-Core Duct
NC-BB BSIL
NC-LL Exch Equip
NC-LL CPE Equip
NC-TISBO Exch Equip
NC-Tier 1 and 2 ATM switches
NC-DSLAM
NC-Opt Ethernet switches
NC-Processor
NC-SDH Equipment
NC-IP Equipment
NC-Ethernet LL Equip
NC-BB Aggregation Equipment
NC-BB Access Equipment
NC-NGA Voice
NC-Exch - Lines
NC-Conc - Usage
NC-Field Ops Copper Faults
NC-Field Ops Copper Installs
NC-Field Ops Fibre Faults
NC-Field Ops Fibre Installs
NC-Field Ops Other
NC-Business Field Ops
NC-FFE Field Ops Faults
NC-FFE Field Ops Installs
NC-Voice Field Ops
NC-BIT
NC-LL Installs
NC-LL Faults
NC-DSL Faults
NC-BackOffProv BB Cons
NC-BackOffProv BB Bus
NC-BackOffProv LL
NC-BackOffProv Voice
NC-BackOffMaint BB
NC-BackOffMaint LL
NC-BackOffMaint Voice
NC-PPP
WCC-Partners
NC-TISBO CPE Equip
NC-PSTN CPE/NTP
NC-ISDN2 CPE/NTP
NC-ISDN 30 CPE/NTP
NC-NGA Systems
NC-NGA CPE Cons
NC-NGA CPE Bus
NC-Bandwidth external
NC-Lines-Bus-Rent
NC-LL BW COS
NC-LL WHLS RES
WCC-Billing
RCC-Cons-Cust Tech Serv
RCC-Cons Sales Other
RCC-Cons Sales Eng
RCC- SMB- Business Sales
RCC-SMB-Business Marketing
RCC-SMB-Other
RCC-Billing
RCC-Interconnect
RCC-Marketing
RCC-LL-Conn
RCC-LL-CCTV-Rent
NC-OOS BS
NC-OOS COSTS
NC-COS-Other OLA
NC-EYE Assets
NC-EYE Fibre
NC-FFE Fibre

Layer 71 – Apportionment Methodologies

Access Network Component Factors (AM_701)

Network Components are allocated to Network Products (Layer 81) using the factors shown in Annex 5.

Core Network Component Factors (AM_702)

Core Network Components costs are allocated to Network Products (Layer 81) based on the bandwidth assumptions shown in Table 16.

Table 16 – Core Network Component factors¹

Product	Average offered speed (Mbps)	Capacity/%	Speed in core Mbyte/minute	Mbyte per line
NP-Call Termination				3.84
NP-CO-Other				3.84
NP-CO-HEY				3.84
NP-CO-Local				3.84
NP-DSL-Rent	12	1.44%	0.17	5,465,320
Leased Line Products <1Mb/s	0.1	100%	0.1	3,153,600
1-8Mb/s	2	100%	2	63,072,000
10 Mbs	10	100%	10	315,360,000
100Mbs	100	100%	100	3,153,600,000
1Gb	1000	100%	1000	31,536,000,000
10 Gb	10000	100%	10000	315,360,000,000
100 Gb	100000	100%	100000	3,153,600,000,000
Codec rate	64 kbps			
MByte/minute	3.84			

Back Office Provisioning (AM_703)

Back Office Provisioning Costs for Broadband, Voice and Leased Lines are apportioned to products based on connection volumes.

Back Office Maintenance (AM_704)

Back Office Maintenance Costs for Broadband, Voice and Leased Lines are apportioned to products based on rental volumes.

Leased Line Bandwidth (AM_716)

Allocates costs of sale for leased line bandwidth across network products proportionately to bandwidth.

Field Ops (AM_705)

Allocates costs of field ops team to relevant network products

¹ Peak to sold calculated using monthly peak bandwidth as a proportion of bandwidth sold in month

Data Input to Model						
Source Code	Source Name	Destination Code	Destination Name	AM Cod	AM Name	Values
NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	NP-Lines-Res-Rent	NP-Residential Lines-Rental	AM_705	Field Ops	1
NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	NP-Lines-Bus-Rent	NP-Business Lines-Rental	AM_705	Field Ops	1
NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	NP-ISDN2-Res-Rent	NP-Residential Lines-ISDN 2 Rental	AM_705	Field Ops	1
NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	NP-ISDN2-Bus-Rent	NP-Business ISDN 2 Lines-Rental	AM_705	Field Ops	0.5
NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	NP-ISDN30-Bus-Rent	NP-Business ISDN 30 Lines-Rental	AM_705	Field Ops	0.125
NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	NP-DSL-Rent	NP-DSL-Rental	AM_705	Field Ops	1
NC-Field Ops Copper Installs	NC-Field Ops Copper Installs	NP-Lines-Res-Conn	NP-Residential Lines-Connection	AM_705	Field Ops	1
NC-Field Ops Copper Installs	NC-Field Ops Copper Installs	NP-Lines-Bus-Conn	NP-Business Lines-Connection	AM_705	Field Ops	1
NC-Field Ops Copper Installs	NC-Field Ops Copper Installs	NP-ISDN2-Res-Conn	NP-Residential Lines-ISDN 2 Connection	AM_705	Field Ops	0.5
NC-Field Ops Copper Installs	NC-Field Ops Copper Installs	NP-ISDN2-Bus-Conn	NP-Business ISDN 2 Lines-Connection	AM_705	Field Ops	0.5
NC-Field Ops Copper Installs	NC-Field Ops Copper Installs	NP-ISDN30-Bus-Conn	NP-Business ISDN 30 Lines-Connection	AM_705	Field Ops	0.125
NC-Field Ops Fibre Faults	NC-Field Ops Fibre Faults	NP-LA-Fibre-Res-Rent	NP- LA Fibre-Residential-Rental	AM_705	Field Ops	0.125
NC-Field Ops Fibre Faults	NC-Field Ops Fibre Faults	NP-LA-Fibre-Bus-Rent	NP- LA Fibre-Business-Rental	AM_705	Field Ops	0.125
NC-Field Ops Fibre Installs	NC-Field Ops Fibre Installs	NP-LA-Fibre-Res-Conn	NP- LA Fibre-Residential-Connection	AM_705	Field Ops	1
NC-Business Field Ops	NC-Business Field Ops	NP-TISBO-Conn	NP-TISBO-Conn	AM_705	Field Ops	1
NC-Business Field Ops	NC-Business Field Ops	NP-LL-Conn	NP-LL-Conn	AM_705	Field Ops	1
NC-Business Field Ops	NC-Business Field Ops	NP-LA-Fibre-Bus-Conn	NP-LA-Fibre-Bus-Conn	AM_705	Field Ops	1
NC-FFE Field Ops Faults	NC-FFE Field Ops Faults	NP-EYE-FFE-Fibre Res-Rent	NP-EYE-FFE-Fibre Res-Rent	AM_705	Field Ops	1
NC-FFE Field Ops Faults	NC-FFE Field Ops Faults	NP-EYE-FFE-Fibre Bus-Rent	NP-EYE-FFE-Fibre Bus-Rent	AM_705	Field Ops	1
NC-BIT	NC-Business Installs Team	NP-LA-Fibre-Bus-Conn	NP-LA-Fibre-Bus-Conn	AM_705	Field Ops	1
NC-LL Installs	NC-Leased Line Installs	NP-TISBO-Conn	NP-TISBO-Conn	AM_705	Field Ops	1
NC-LL Installs	NC-Leased Line Installs	NP-LL-Conn	NP-LL-Conn	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-TISBO-0-1Mbs-Rent	NP-TISBO-0-1Mbs-Rent	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-TISBO-1-8Mbs-Rent	NP-TISBO-1-8Mbs-Rent	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-LL-10Mb-Rent	NP-LL-10Mb-Rent	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-LL-100Mb-Rent	NP-LL-100Mb-Rent	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-LL-1Gb-Rent	NP-LL-1Gb-Rent	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-LL-10Gb-Rent	NP-LL-10Gb-Rent	AM_705	Field Ops	1
NC-LL Faults	NC-Leased Line Faults	NP-LL-100Gb-Rent	NP-LL-100Gb-Rent	AM_705	Field Ops	1
NC-FFE Field Ops Installs	NC-FFE Field Ops Installs	NP-EYE-FFE-Fibre Res-Conn	NP-EYE-FFE-Fibre Res-Conn	AM_705	Field Ops	1
NC-FFE Field Ops Installs	NC-FFE Field Ops Installs	NP-EYE-FFE-Fibre Bus-Conn	NP-EYE-FFE-Fibre Bus-Conn	AM_705	Field Ops	1

Layer 81 – Apportionment Methodologies

Routing factors (AM801)

Network Products at Layer 81 are apportioned to retail and wholesale products in Layer 91 using the routing factors set out in Annex 5.

NP Working Capital (AM_805)

Allocates retail working capital balances across retail services on the basis of revenues.

Leased Line Bandwidth (AM_816)

Allocates costs of leased line wholesale residual network product to individual leased line services based on the bandwidth of the service.

Layer 91

Layer 91 groups products using the below hierarchy:

Layer	Symbol	Name	Hierarchy	Parent
L91	All Areas	All Areas	1	L91
L91	HEY	HEY Segment	2	All Areas
L91	OLA	OLA (Licensed Area)	3	HEY
L91	WHLP	Wholesale Products	4	OLA
L91	WHL SMP	WHL SMP Products	5	WHLP
L91	WLA	Wholesale Local Access	6	WHL SMP
L91	LL	Wholesale Leased Lines	6	WHL SMP
L91	WHL RESIDUAL	WHL RESIDUAL	5	WHLP
L91	WR TISBO>8Mbps	WR TISBO>8Mbps	6	WHL RESIDUAL
L91	WR TISBO<8Mbps	WR TISBO<8Mbps	6	WHL RESIDUAL
L91	WR LL	WR Leased Lines	6	WHL RESIDUAL
L91	CT	Call Termination	6	WHL RESIDUAL
L91	CENTREX	CENTREX	6	WHL RESIDUAL
L91	IP LINE	IP Line	6	WHL RESIDUAL
L91	WR OTHER	WR OTHER	6	WHL RESIDUAL
L91	WR NON OLA	WR NON OLA	6	WHL RESIDUAL
L91	ANALOG	Analogue Exchange Line Services	6	WHL RESIDUAL
L91	ISDN30	ISDN 30 Exchange Line Services	6	WHL RESIDUAL
L91	ISDN2	ISDN 2 Exchange Line Services	6	WHL RESIDUAL
L91	WCO	Call Origination on Fixed Public Narrowband Networks	6	WHL RESIDUAL
L91	WBA	Wholesale Broadband Access	6	WHL RESIDUAL
L91	RETP	Retail Products	4	OLA
L91	RP-LINES	Retail Exchange Lines	5	RETP
L91	RP-CO	Retail Call Origination	5	RETP
L91	RP-Broadband	Retail Broadband	5	RETP
L91	RP-TISBO <8MB	Retail TISBO<8Mbs	5	RETP
L91	RP-TISBO >8MB	Retail TISBO>8Mbs	5	RETP
L91	RP-LL	Retail Leased Lines	5	RETP
L91	RP-OTHER	Retail Other	5	RETP
L91	EYE	EYE Area	3	HEY
L91	National	National	2	All Areas
L91	Other	Other	2	All Areas
L91	RECN	Reconciling Accounts	1	L91
L91	RECN-BS	RECN-BS	2	RECN
L91	RECN-IS	RECN-IS	2	RECN
L91	RECN-IS-OPEX	RECN-IS-OPEX	3	RECN-IS
L91	RECN-IS-NON OPEX	RECN-IS-NON OPEX	3	RECN-IS

8. CCA Valuation Methodology

The RFS are prepared using the current cost accounting convention. This requires assets to be restated at their current (rather than historical cost).

Terminology used in the RFS model is as follows:

Gross Book Value ('GBV'): The original historical cost of acquiring the assets as recorded in the Fixed Asset Register ('FAR')

Net Book Value ('NBV'): The depreciated cost of the asset as recorded in the FAR

Annual Historical Cost Depreciation ('Ann HC Depn'): The depreciation recorded in the FAR.

Gross Replacement Cost ('GRC'): The original historical cost of acquiring the assets as recorded in the Fixed Asset Register ('FAR') uplifted by the monthly RPI Index

Gross Holding Gain: Calculated as the difference between opening and closing GRC for each asset, less any disposals, plus any additions

Backlog Depreciation: Calculated as follows:

$$(1 - \frac{\text{Opening NBV}}{\text{GBV}}) \times \text{Gross Holding Gain}$$

Net Holding Gain: Calculated as follows:

$$\text{Gross Holding Gain} - \text{Backlog Depreciation}$$

Annual CCA Depreciation ('Ann CCA Depn'): Total annual depreciation charge under CCA accounting. Calculated as follows:

$$\frac{\text{Average Opening and Closing GRC}}{\text{Average Opening and Closing GBV}} \times \text{Ann HC Depn}$$

Supplementary CCA Depreciation: Calculated as follows:

$$\text{Ann CCA Depn} - \text{Ann HC Depn}$$

9. Management Accounts Recharges

Previously, management accounts allocations of overhead costs to different business segments were used in the RFS, and then allocated using RFS allocation methodologies. KCOM no longer uses this and so all overheads are directly allocated using the allocation methodologies described in the DOCAS.

10. Revenues and Transfer Charges

External Revenues

External revenues for wholesale services are calculated as follows:

- Each product in KCOM's billing system (APS) is tagged with a relevant regulatory service type
- The relevant GL code for each APS entry is identified using mapping tables
- Revenues in the GL are reconciled to the APS revenues based on APS reports generated from the live database and any sales in the GL not included in APS are added.
- The total external revenue for wholesale sales is then allocated to individual services based on the adjusted APS revenue total. (Allocation AM_115)

Internal Revenues

Internal revenues for products transferred from Wholesale Markets and Wholesale Residual Markets are calculated by multiplying relevant volumes by Transfer Prices. In general, transfer prices are set using prices for the relevant or comparable products available in KCOM's Wholesale Reference Offers.

The details of the calculation of transfer prices for each market are set out below.

Wholesale Local Access

Wholesale Local Access services (fibre links from a customer premise to the exchange) are used as input for Wholesale Broadband Access market services.

These are priced at the weighted average WLA reference offer price of the different services consumed for delivery of external and internal Wholesale Broadband Access services.

Transfer prices for connection services are set equal to the relevant reference offer prices for connection services.

Leased Line Services

Transfer prices for internally consumed Leased Line services are calculated using average reference offer prices for equivalent services in the relevant period. Where prices for the comparable reference offer service varies with contract duration, a simple average of the available variants is used.

External sales of Leased Line market services are priced at actual prices.

Wholesale Residual Market

Products included in the Wholesale Residual market include: Leased Line based services, Call Termination, Call Origination, Wholesale Broadband Access, ISDN2, ISDN 30 and Centrex services.

Other leased line services

Transfer prices for internet leased line, VPLS and CCTV services are calculated by applying a mark-up of 10% to the relevant wholesale input price.

Wholesale Broadband Access services

Internal WBA services are priced at the average published price for the relevant product sold by the retail division.

External WBA services are priced using actual prices.

Call origination and Call Termination

Transfer prices for internal wholesale call origination and termination services are set by calculating an average reference offer price across all time-of-day charges using a breakdown of calls during the financial year extracted from interconnect billing data by each time of day category extracted from billing records.

Analogue Exchange Lines, ISDN 2 and ISDN 30 services

Transfer prices for analogue exchange line circuits are based on published prices for relevant wholesale services consumed internally.

11. Preparation of RFS

The published RFS are prepared using Excel output tables from the CostPerform ABC model.

The regulatory reporting requirements which set out the format of the RFS require costs to be presented using different categories in the profit and loss and network cost statements.

The reports and associated cost categories which KCOM is required to use in its RFS as set out in Ofcom's Statement: *KCOM Regulatory Financial Reporting, Statement on new regulatory financial reporting directions covering all regulated fixed telecoms markets* (6 February 2019)

Revenues, costs, assets and liabilities in the RFS Model are categorised for reporting in the Profit and Loss Account, Balance Sheet and Network Activity Statement reports using Regulatory Reporting Group (RRG) classifications which are attached to costs at layer 001 (GL) in the RFS Model.

Classifying costs at this level enables costs to be categorised at the most disaggregated layer.

Costs in the Network Activity Statement are classified using Component Cost categories determined by Ofcom. In the RFS Model these are tagged at Layer 71 (components).

The components are as follows:

- Local Loop Infrastructure
- Exchange to Exchange Infrastructure
- Electronics
- Other
- Exchange Concentrator
- Field Maintenance
- Field Provision
- Back Office Provisioning
- Back Office Maintenance
- Sales and Product Management
- Net Current Assets

The mapping of network components to reported components is shown in Table 18 below.

Table 18 Regulatory Component classification

Layer	Symbol	Name	Hierarchy	RR COMP
L71	NC	Components & Residual	1	
L71	WHLN	Wholesale Business	2	
L71	NC-LLI	Local Loop Infrastructure	3	
L71	NC-Access Copper	NC-Access Copper Cable	A	Local Loop Infrastructure
L71	NC-Access Fibre LL	NC-Access Fibre Leased Lines	A	Local Loop Infrastructure
L71	NC-Access Fibre NGA Spine	NC-Access Fibre NGA Spine	A	Local Loop Infrastructure
L71	NC-Access Fibre NGA Dist	NC-Access Fibre NGA Distribution	A	Local Loop Infrastructure
L71	NC-Access Fibre NGA Drop	NC-Access Fibre NGA Drop	A	Local Loop Infrastructure
L71	NC-Access Duct	NC-Access Fibre NGA Duct	A	Local Loop Infrastructure
L71	NC-Access Poles	NC-Access Fibre NGA Poles	A	Local Loop Infrastructure
L71	NC-Copper Write Off	NC-Copper Write Off	A	Local Loop Infrastructure
L71	NC-EEL	Exchange to Exchange Transmission link	3	
L71	NC-Core Fibre	NC-Core Fibre	A	Exchange to Exchange Transmission lin
L71	NC-Core Fibre NGA	NC-Core Fibre NGA	A	Exchange to Exchange Transmission lin
L71	NC-Core Duct	NC-Core Duct	A	Exchange to Exchange Transmission lin
L71	NC-BB BSIL	NC-BB BSIL	A	Exchange to Exchange Transmission lin
L71	NC-ELC	Electronics	3	
L71	NC-LL Exch Equip	NC-LL Exchange Equipment	A	Electronics
L71	NC-LL CPE Equip	NC-LL CPE Equipment	A	Electronics
L71	NC-TISBO Exch Equip	NC-TISBO Exchange Equipment	A	Electronics
L71	NC-Tier 1 and 2 ATM switches	NC-Tier 1& 2 ATM switches	A	Electronics
L71	NC-DSLAM	NC-DSLAM	A	Electronics
L71	NC-Opt Ethernet switches	NC-Optical Ethernet switches	A	Electronics
L71	NC-Processor	NC-Processor	A	Electronics
L71	NC-SDH Equipment	NC-SDH Equipment	A	Electronics
L71	NC-IP Equipment	NC-IP Equipment	A	Electronics
L71	NC-Ethernet LL Equip	NC-Ethernet LL Equip	A	Electronics
L71	NC-BB Aggregation Equipment	NC-BB Aggregation Equipment	A	Electronics
L71	NC-BB Access Equipment	NC-BB Access Equipment	A	Electronics
L71	NC-NGA Voice	NC-NGA Voice	A	Electronics
L71	NC-EXC	Exchange Concentrator	3	
L71	NC-Exch - Lines	NC-Exchange - Lines	A	Exchange Concentrator
L71	NC-Conc - Usage	NC-Concentrator - Usage	A	Exchange Concentrator
L71	NC-FDM	Field Maintenance	3	
L71	NC-Field Ops Copper Faults	NC-Field Ops Copper Faults	A	Field Maintenance
L71	NC-Field Ops Copper Installs	NC-Field Ops Copper Installs	A	Field Provision
L71	NC-Field Ops Fibre Faults	NC-Field Ops Fibre Faults	A	Field Maintenance
L71	NC-Field Ops Fibre Installs	NC-Field Ops Fibre Installs	A	Field Provision
L71	NC-Field Ops Other	NC-Field Ops Other	A	Field Maintenance
L71	NC-Business Field Ops	NC-Business Field Ops	A	Field Maintenance
L71	NC-FFE Field Ops Faults	NC-FFE Field Ops Faults	A	Field Maintenance
L71	NC-FFE Field Ops Installs	NC-FFE Field Ops Installs	A	Field Provision
L71	NC-Voice Field Ops	NC-Voice Field Ops	A	Field Maintenance
L71	NC-BIT	NC-Business Installs Team	A	Field Provision
L71	NC-LL Installs	NC-Leased Line Installs	A	Field Provision
L71	NC-LL Faults	NC-Leased Line Faults	A	Field Maintenance
L71	NC-DSL Faults	NC-DSL Faults	A	Field Maintenance
L71	NC-PRV	Field Provisioning	3	
L71	NC-Provisioning	NC-Provisioning	A	Field Provision
L71	NC-BOP	Back-office Provisioning	3	
L71	NC-BackOffProv BB Cons	NC-BackOffProv BB Cons	A	Back-office Provisioning
L71	NC-BackOffProv BB Bus	NC-BackOffProv BB Bus	A	Back-office Provisioning
L71	NC-BackOffProv LL	NC-BackOffProv LL	A	Back-office Provisioning
L71	NC-BackOffProv Voice	NC-BackOffProv Voice	A	Back-office Provisioning
L71	NC-BOM	Back-office Maintenance	3	
L71	NC-BackOffMaint BB	NC-BackOffMaint BB	A	Back-office Maintenance
L71	NC-BackOffMaint LL	NC-BackOffMaint LL	A	Back-office Maintenance
L71	NC-BackOffMaint Voice	NC-BackOffMaint Voice	A	Back-office Maintenance
L71	NC-PPN	PPP for narrowband call services	3	
L71	NC-PPP	NC-PPP for narrowband call services	A	PPP for narrowband call services
L71	NC-SPM	Sales and Product Management	3	
L71	WCC-Partners	WCC-Partners	A	Sales and Product Management
L71	WCC-Wholesale Team	WCC-Wholesale Team	A	Sales and Product Management
L71	NC-OTH	Other	3	
L71	NC-TISBO CPE Equip	NC-TISBO CPE Equipment	A	Other
L71	NC-PSTN CPE/NTP	NC-PSTN CPE/NTP	A	Other
L71	NC-ISDN2 CPE/NTP	NC-ISDN2 CPE/NTP	A	Other
L71	NC-ISDN 30 CPE/NTP	NC-ISDN 30 CPE/NTP	A	Other
L71	NC-NGA Systems	NC-NGA Systems	A	Other
L71	NC-NGA CPE Cons	NC-NGA CPE Cons	A	Other
L71	NC-NGA CPE Bus	NC-NGA CPE Business	A	Other
L71	NC-Bandwidth external	NC-Bandwidth external	A	Other
L71	NC-Lines-Bus-Rent	NC-Lines-Bus-Rent	A	Other
L71	NC-LL BW COS	NC-Leased Line Bandwidth Cost of Sale	A	Other
L71	NC-LL WHLS RES	NC-Leased Line Wholesale Residual	A	Other
L71	WCC-Billing	WCC-Billing	A	Other
L71	NC-NCA	Net Current Assets	3	
L71	CP-STOCK-Network Whls	CP-STOCK-Network Whls	A	Net Current Assets
L71	CP-STOCK-Fibre	CP-STOCK-Fibre	A	Net Current Assets
L71	CP-DEBTORS-Whls	CP-DEBTORS-Whls	A	Net Current Assets
L71	CP-CREDITORS-Whls	CP-CREDITORS-Whls	A	Net Current Assets
L71	RETC	Retail & Residual	2	
L71	RETC	Retail Channel Cost Components	3	
L71	RCC-Cons-Cust Tech Serv	RCC-Cons-Cust Tech Serv	A	Retail & Residual
L71	RCC-Cons Sales Other	RCC-Cons Sales Other	A	Retail & Residual
L71	RCC-Cons Sales Eng	RCC-Cons Sales Eng	A	Retail & Residual
L71	RCC-SMB- Business Sales	RCC-SMB- Business Sales	A	Retail & Residual
L71	RCC-SMB-Business Marketing	RCC-SMB-Business Marketing	A	Retail & Residual
L71	RCC-SMB-Other	RCC-SMB-Other	A	Retail & Residual
L71	RCC-Retail	RCC-Retail	A	Retail & Residual
L71	RCC-Billing	RCC-Billing	A	Retail & Residual
L71	RCC-Interconnect	RCC-Interconnect	A	Retail & Residual
L71	RCC-Marketing	RCC-Marketing	A	Retail & Residual
L71	RCC-LL-Conn	RCC-LL-Conn	A	Retail & Residual
L71	RCC-LL-CCTV-Rent	RCC-LL-CCTV-Rent	A	Retail & Residual

L71	RESIDUAL	RESIDUAL	3	
L71	NC-OOS	NC-OOS	4	
L71	NC-OOS BS	NC-OOS BS	A	Retail & Residual
L71	NC-OOS COSTS	NC-OOS COSTS	A	Retail & Residual
L71	NC-OOS COSTS No Overheads	NC-OOS COSTS No Overheads	A	Retail & Residual
L71	NC-COS-Other OLA	NC-COS-Other OLA	A	Retail & Residual
L71	NC-EYE	NC-EYE	4	
L71	NC-EYE Assets	NC-EYE Assets	A	Retail & Residual
L71	NC-EYE Fibre	NC-EYE Fibre	A	Retail & Residual
L71	NC-FFE Fibre	NC-FFE Fibre	A	Retail & Residual
L71	NC-RES OTHER	NC-RES OTHER	4	
L71	L71-FAR REC N	L71-FAR REC N	A	Retail & Residual
L71	L71-AUC OOS	L71-AUC OOS	A	Retail & Residual
L71	RWC	Retail Working Capital	3	
L71	CP-DEBTORS-Bus	CP-DEBTORS-Bus	A	Retail & Residual
L71	CP-DEBTORS-Cons	CP-DEBTORS-Cons	A	Retail & Residual
L71	CP-CREDITORS-Bus	CP-CREDITORS-Bus	A	Retail & Residual
L71	CP-CREDITORS-Cons	CP-CREDITORS-Cons	A	Retail & Residual
L71	L71-OOS Accounts	L71-OOS Accounts	1	
L71	L71-BS	L71-BS	2	
L71	L71-BS Corp Tax	L71-BS Corp Tax	A	Reconciling Accounts
L71	L71-BS Dividends	L71-BS Dividends	A	Reconciling Accounts
L71	L71-BS Def Tax Asset	L71-BS Def Tax Asset	A	Reconciling Accounts
L71	L71-BS Def Tax	L71-BS Def Tax	A	Reconciling Accounts
L71	L71-BS Loans STP	L71-BS Loans STP	A	Reconciling Accounts
L71	L71-BS Loans LTP	L71-BS Loans LTP	A	Reconciling Accounts
L71	L71-BS Goodwill	L71-BS Goodwill	A	Reconciling Accounts
L71	L71-BS Min Int	L71-BS Min Int	A	Reconciling Accounts
L71	L71-BS Inv Hedg	L71-BS Inv Hedg	A	Reconciling Accounts
L71	L71-BS ST Provn Excl	L71-BS ST Provn Excl	A	Reconciling Accounts
L71	L71-BS LT Provn Excl	L71-BS LT Provn Excl	A	Reconciling Accounts
L71	L71-Retirement benefit asset	L71-Retirement benefit asset	A	Reconciling Accounts
L71	L71-Retirement benefit obligation	L71-Retirement benefit obligation	A	Reconciling Accounts
L71	L71-BS SC and RES	L71-BS SC & RES	A	Reconciling Accounts
L71	L71-BS Loans from related parties	L71-BS Loans from related parties	A	Reconciling Accounts
L71	L71-BS Bank Loans	L71-BS Bank Loans	A	Reconciling Accounts
L71	L71-BS Fin Lease ST	L71-BS Fin Lease ST	A	Reconciling Accounts
L71	L71-BS Fin Lease LT	L71-BS Fin Lease LT	A	Reconciling Accounts
L71	L71-AHFS	L71-AHFS	A	Reconciling Accounts
L71	L71-IS	L71-IS	2	
L71	L71-IS-OPEX	L71-IS-OPEX	3	
L71	L71-IS OOI	L71-IS OOI	A	Reconciling Accounts
L71	L71-IS Goodwill	L71-IS Goodwill	A	Reconciling Accounts
L71	L71-IS FA Sales	L71-IS FA Sales	A	Reconciling Accounts
L71	L71-IS Group Disps	L71-IS Group Disps	A	Reconciling Accounts
L71	L71-IS Inv Woffs	L71-IS Inv Woffs	A	Reconciling Accounts
L71	L71-IS Prof Disp Prop FA Pre Exc	L71-IS Prof Disp Prop FA Pre Exc	A	Reconciling Accounts
L71	L71-IS Prof Disp Prop FA	L71-IS Prof Disp Prop FA	A	Reconciling Accounts
L71	L71-IS ST Int	L71-IS ST Int	A	Reconciling Accounts
L71	L71-IS-NON OPEX	L71-IS-NON OPEX	3	
L71	L71-IS Finance Income	L71-IS Finance Income	A	Reconciling Accounts
L71	L71-IS LT Int	L71-IS LT Int	A	Reconciling Accounts
L71	L71-IS Gp Share Profits	L71-IS Gp Share Profits	A	Reconciling Accounts
L71	L71-IS CAR	L71-IS CAR	A	Reconciling Accounts
L71	L71-IS Taxation	L71-IS Taxation	A	Reconciling Accounts
L71	L71-IS Dividends	L71-IS Dividends	A	Reconciling Accounts
L71	L71-Share in profit of associate	L71-Share in profit of associate	A	Reconciling Accounts
L71	L71-Remeasurements of retirement benefit obligatio	L71-Remeasurements of retirement benefit obligatio	A	Reconciling Accounts

IFRS 16 – Accounting for Leases

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.

12. Cost of Capital

The RFS include Network Operating Statements which set out the cost of network components used in each market, and in aggregate, including a cost of capital.

For the purpose of the RFS, KCOM has assumed a cost of capital based on the cost of capital calculated by Ofcom and used by BT to prepare its own regulatory financial statements.

Ofcom calculates the cost of capital to be applied to BT in each forward-looking charge control based on, inter alia, forecasts for inflation in that period. In addition, Ofcom disaggregates BT's cost of capital into three elements for different parts of BT's business:

- Openreach
- Other UK telecoms (same as BT Group)
- Rest of BT

In determining cost-based prices and for regulatory financial reporting purposes, Ofcom applies the Openreach cost of capital to copper line rental and FTTC fibre services and the Other UK Telecoms cost of capital to leased lines and FTTP services.²

For the purposes of its regulatory financial reporting of its leased lines and FTTP services, KCOM considers that the cost of capital as calculated by Ofcom for 'Other UK telecoms' / BT Group' provides a straightforward, practicable and objective measure of the cost of capital.

The most recent relevant Ofcom forecasts of BT's cost of capital for FY24 was set out in its Statement: Promoting investment and competition in fibre networks-Wholesale Fixed Telecom Market Review Statement (18 March 2021).

Ofcom calculated the three disaggregated elements of BT's cost of capital (expressed as a nominal, pre-tax weighted average cost of capital) to be:

- Openreach: 7.0%
- Other UK telecoms (same as BT Group): 7.8%
- Rest of BT 10.2%³

Accordingly, in its 2024 RFS, where relevant for reporting purposes, KCOM has assumed a relevant weighted average cost of capital of 7.8% (i.e. as determined by Ofcom for 'Other UK telecoms' and applied to BT's leased lines and FTTP services).

² Paragraph A21.3, Annex 21, Cost of Capital for the relevant services, page 305.

³ Paragraph A21.21.136, Annex 21, Cost of Capital for the relevant services, page 329

Annex 1: FAR RFS Categories

Name
Access Equipment
Access Fibre Non-NGA
Access-Copper
Access-Copper-Drop
Access-Fibre-NGA-Drop
Access-Fibre-NGA-General
Billing-CSS-Sys
Bus-Provisioning
Concentrator - Usage
Concentrator EYD
Core IP
Core TDM
Core-Fibre
Corporate Assets
CPE
DSLAM
Duct EYD
Exchange Bldg
EYE Assets
FFE Assets
General IT
LL-CPE
LL-Exch-Equip
Network IT
Network Vehicles
NGA Core
NGA CPE
NGA Exchange Equipment
NGA Installs
NGA Passive
NGA Support
NGA Voice Equipment
Non-network Bldgs
Office Furniture
OLA Out of Scope
Optical Ethernet switches
Out of Scope
Outsource NW Support
Poles
Processor EYD
TISBO-Exchange Equipment

Annex 2: BLANK

Annex 3: RFS Network Products

Layer	Symbol	Name
L81	NRP	Wholesale & Retail
L81	WHB	Wholesale Business
L81	NP-WHL	Network Products (WHL)
L81	NP-Lines	NP-Lines
L81	NP-Lines-Res-Conn	NP-Residential Lines Connection
L81	NP-Lines-Res-Rent	NP-Residential Lines-Rental
L81	NP-Lines-Bus-Conn	NP-Business Lines Connection
L81	NP-Lines-Bus-Rent	NP-Business Lines-Rental
L81	NP-Lines-Other	NP-Analogous Lines-Other
L81	NP-Copper-Write-Off	NP-Copper-Write-Off
L81	NP-ISDN2	NP-ISDN2
L81	NP-ISDN2-Res-Conn	NP-Residential Lines-ISDN 2 Connection
L81	NP-ISDN2-Res-Rent	NP-Residential Lines-ISDN 2 Rental
L81	NP-ISDN2-Bus-Conn	NP-Business ISDN 2 Lines-Connection
L81	NP-ISDN2-Bus-Rent	NP-Business ISDN 2 Lines-Rental
L81	NP-ISDN2-Other	NP-Business ISDN 2-Other
L81	NP-ISDN30	NP-ISDN30
L81	NP-ISDN30-Bus-Conn	NP-Business ISDN 30 Lines-Connection
L81	NP-ISDN30-Bus-Rent	NP-Business ISDN 30 Lines-Rental
L81	NP-ISDN30-Other	NP-Business ISDN 30 Lines-Other
L81	NP-CCO	NP-CCO
L81	NP-CCO-Local	NP-Call Origination-Local
L81	NP-CCO-All	NP-Call Origination-All Calls
L81	NP-NGA-Voice	NP-NGA Voice
L81	NP-NGA	NP-NGA
L81	NP-LA-Fibre-Res-Conn	NP-LA-Fibre-Residential-Connection
L81	NP-LA-Fibre-Res-Rent	NP-LA-Fibre-Residential-Rental
L81	NP-LA-Fibre-Bus-Conn	NP-LA-Fibre-Business-Connection
L81	NP-LA-Fibre-Bus-Rent	NP-LA-Fibre-Business-Rental
L81	NP-LA-Fibre-Other	NP-LA-Fibre-Other
L81	NP-LA-Fibre-CableConn	NP-LA-Fibre-Cable-Connect
L81	NP-LA-Fibre-Res-New-Provide	NP-LA-Fibre-Residential-New-Provide
L81	NP-LA-Fibre-Bus-New-Provide	NP-LA-Fibre-Business-New-Provide
L81	NP-LA-Fibre-ECC	NP-LA-Fibre-Excess-Construction-Charges
L81	NP-LA-Fibre-TXC	NP-LA-Fibre-Time-Related-Charges
L81	NP-LA-Fibre-Fixed-Charges	NP-LA-Fibre-Fixed-Charges
L81	NP-DSL	NP-DSL
L81	NP-DSL-Conn	NP-DSL-Connection
L81	NP-DSL-Rent	NP-DSL-Rental
L81	NP-Fibre-Broadband	NP-Fibre-Broadband
L81	NP-FiberBB-IPLine-Conn	NP-BA-IPLine-Connection
L81	NP-FiberBB-IPLine-Rental	NP-BA-IPLine-Rental
L81	NP-FiberBB-Paths	NP-BA-Aggregation and Extension Paths
L81	NP-FiberBB-Other	NP-BA-Broadband-Service-Interconnect Link
L81	NP-FiberBB-Other	NP-BA-Other
L81	NP-BA-Agg-Point-Connection	NP-BA-Aggregation Point Connections
L81	NP-BA-Agg-Point-10G-Rental	NP-BA-Aggregation 10Gbps Rental
L81	NP-BA-Agg-Point-100G-Rental	NP-BA-Aggregation 100Gbps Rental
L81	NP-BA-Agg-Point-Burst-Rental	NP-BA-Aggregation Burst Rental
L81	NP-BA-Agg-Point-Other	NP-BA-Aggregation Other
L81	NP-BA-EP-10Gbps	NP-BA-Extension Paths 10Gbps
L81	NP-BA-EP-100Gbps	NP-BA-Extension Paths 100Gbps
L81	NP-BA-EP-Other	NP-BA-Extension Paths Other
L81	NP-TSBO	NP-TSBO
L81	NP-TSBO-Conn	NP-TSBO-All bandwidth connection
L81	NP-TSBO-0-1Mbs-Rent	NP-TSBO-0-1Mbs-Rental
L81	NP-TSBO-1-8Mbs-Rent	NP-TSBO-1-8Mbs-Rental
L81	NP-TSBO-Other	NP-TSBO-Rental 0-8Mbs-Other
L81	NP-LI	NP-Leased Lines
L81	NP-LI-Conn	NP-Leased Lines-Conn
L81	NP-LI-10Mb-Rent	NP-Leased Lines-10Mb-Rent
L81	NP-LI-100Mb-Rent	NP-Leased Lines-100Mb-Rent
L81	NP-LI-1G-Rent	NP-Leased Lines-1G-Rent
L81	NP-LI-10G-Rent	NP-Leased Lines-10G-Rent
L81	NP-LI-100G-Rent	NP-Leased Lines-100G-Rent
L81	NP-LI-Other	NP-Leased Lines-Other
L81	NP-LI-Core-Internet-100Mb-Rent	NP-LI-Core-Internet-100Mb-Rent
L81	NP-LI-Core-Internet-100Mb-Rent	NP-LI-Core-Internet-100Mb-Rent
L81	NP-LI-Core-Internet-10G-Rent	NP-LI-Core-Internet-10G-Rent
L81	NP-LI-Core-Internet-100G-Rent	NP-LI-Core-Internet-100G-Rent
L81	NP-LI-Core-Internet-100G-Rent	NP-LI-Core-Internet-100G-Rent
L81	NP-DF-Single-Rental	Wholesale Dark Fibre Single Fibre Rental
L81	NP-DF-Par-Rental	Wholesale Dark Fibre Par Rental
L81	NP-DF-Single-Conn	Wholesale Dark Fibre Single Fibre Connection
L81	NP-DF-Par-Conn	Wholesale Dark Fibre Par Fibre Connection
L81	NP-DF-CTP	Wholesale Dark Fibre Charge Per Right When Tested
L81	NP-DF-Cess	Wholesale Dark Fibre Cessation Charge
L81	NP-DF-PP	Wholesale Dark Fibre Patch Panels
L81	NP-DF-ECC	Wholesale Dark Fibre Excess Construction Charges
L81	NP-DF-Other	Wholesale Dark Fibre Other
L81	NP-CT	NP-CT
L81	NP-Call Termination	NP-Call Termination
L81	NP-Bandwidth	NP-EB
L81	NP-Bandwidth-external	NP-External bandwidth
L81	NP-Bandwidth-CCO	NP-Bandwidth CCO
L81	NP-WHL-CHANNEL	Wholesale Channel Costs
L81	NP-WCC-Wholesale	WCC-Wholesale
L81	NP-LI-WHL-RES	NP-Leased Line Wholesale Residual
L81	PWOW	Component Working Capital Wholesale
L81	NP-DEBTORS-Whls	NP-DEBTORS-Whls
L81	NP-CREDITORS-Whls	NP-CREDITORS-Whls
L81	RETS	Retail Business
L81	NP-RETC	Retail Costs
L81	NP-RCC-Cons-Cust-Tech-Serv	RCC-Cons-Cust-Tech-Serv
L81	NP-RCC-Cons-Sales-Other	RCC-Cons-Sales-Eng
L81	NP-RCC-Cons-Sales-Eng	RCC-Cons-Sales-Eng
L81	NP-RCC-SMB-Business-Sales	RCC-SMB-Business-Sales
L81	NP-RCC-SMB-Business-Marketing	RCC-SMB-Business-Marketing
L81	NP-RCC-SMB-Other	RCC-SMB-Other
L81	NP-RCC-Retail	RCC-SMB-Other
L81	NP-RCC-Billing	NP-RCC-Billing
L81	NP-RCC-Interconnect	NP-RCC-Interconnect
L81	NP-Marketing	NP-Marketing
L81	NP-RCC-LI-Conn	NP-RCC-LI-Conn
L81	NP-RCC-LI-CCTV-Rent	NP-RCC-LI-CCTV-Rent
L81	NP-RESIDUAL	RESIDUAL
L81	NP-OOS	NP-OOS
L81	NP-OOA-Other-IS	NP-OOA-Other-IS
L81	NP-OOS-BS	NP-OOS-BS
L81	NP-OOS-COSTS	NP-OOS-COSTS
L81	NP-EYE	NP-EYE
L81	NP-EYE-BS	NP-EYE-BS
L81	NP-EYE-BS	NP-EYE-BS
L81	NP-EYE-FFE-Fibre-Res-Conn	NP-EYE-FFE-Fibre-Res-Conn
L81	NP-EYE-FFE-Fibre-Res-Rent	NP-EYE-FFE-Fibre-Res-Rent
L81	NP-EYE-FFE-Fibre-Bus-Conn	NP-EYE-FFE-Fibre-Bus-Conn
L81	NP-EYE-FFE-Fibre-Bus-Rent	NP-EYE-FFE-Fibre-Bus-Rent
L81	NP-RES-OTHER	NP-RES-OTHER
L81	L81-FAR-RECEN	L81-FAR-RECEN
L81	L81-AUC-OOS	L81-AUC-OOS
L81	PWCR	Component Working Capital Retail
L81	NP-STOCK-Network-Ret	NP-STOCK-Network-Ret
L81	NP-STOCK-Cons	NP-STOCK-Cons
L81	NP-DEBTORS-Bus	NP-DEBTORS-Bus
L81	NP-DEBTORS-Cons	NP-DEBTORS-Cons
L81	NP-CREDITORS-Bus	NP-CREDITORS-Bus
L81	NP-CREDITORS-Cons	NP-CREDITORS-Cons
L81	L81-OOS-Accounts	L81-OOS-Accounts
L81	L81-BS	L81-BS
L81	L81-BS-Corp-Tax	L81-BS-Corp-Tax
L81	L81-BS-Dividends	L81-BS-Dividends
L81	L81-BS-Del-Tax-Asset	L81-BS-Del-Tax-Asset
L81	L81-BS-Del-Tax	L81-BS-Del-Tax
L81	L81-BS-Loans-STP	L81-BS-Loans-STP
L81	L81-BS-Loans-LTP	L81-BS-Loans-LTP
L81	L81-BS-Goodwill	L81-BS-Goodwill
L81	L81-BS-Min-Int	L81-BS-Min-Int
L81	L81-BS-Inv-Hedg	L81-BS-Inv-Hedg
L81	L81-BS-ST-Prvnc-Excl	L81-BS-ST-Prvnc-Excl
L81	L81-BS-LT-Prvnc-Excl	L81-BS-LT-Prvnc-Excl
L81	L81-Retirement-benefit-asset	L81-Retirement-benefit-asset
L81	L81-Retirement-benefit-obligation	L81-Retirement-benefit-obligation
L81	L81-BS-SC-and-RES	L81-BS-SC-and-RES
L81	L81-BS-Loans-from-related-parties	L81-BS-Loans-from-related-parties
L81	L81-BS-Bank-Loans	L81-BS-Bank-Loans
L81	L81-BS-Fin-Lease-ST	L81-BS-Fin-Lease-ST
L81	L81-BS-Fin-Lease-LT	L81-BS-Fin-Lease-LT
L81	L81-AHS	L81-AHS
L81	L81-IS	L81-IS
L81	L81-IS-OPEX	L81-IS-OPEX
L81	L81-IS-OOI	L81-IS-OOI
L81	L81-IS-Goodwill	L81-IS-Goodwill
L81	L81-IS-FA-Sales	L81-IS-FA-Sales
L81	L81-IS-Group-Diops	L81-IS-Group-Diops
L81	L81-IS-Inv-Warffs	L81-IS-Inv-Warffs
L81	L81-IS-Prof-Disp-Prop-FA-Pre-Exc	L81-IS-Prof-Disp-Prop-FA-Pre-Exc
L81	L81-IS-Prof-Disp-Prop-FA	L81-IS-Prof-Disp-Prop-FA
L81	L81-IS-ST-Int	L81-IS-ST-Int
L81	L81-IS-NON-OPEX	L81-IS-NON-OPEX
L81	L81-IS-Finance-Income	L81-IS-Finance-Income
L81	L81-IS-LT-Int	L81-IS-LT-Int
L81	L81-IS-Gp-Share-Profits	L81-IS-Gp-Share-Profits
L81	L81-IS-CAR	L81-IS-CAR
L81	L81-IS-Taxation	L81-IS-Taxation
L81	L81-IS-Dividends	L81-IS-Dividends
L81	L81-Share-in-profit-of-associate	L81-Share-in-profit-of-associate
L81	L81-Remeasurements-of-retirement-benefit-obligations	L81-Remeasurements-of-retirement-benefit-obligations

Annex 4: BLANK Annex 5 Routing Factors

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	NP-Lines-Res-Conn	NP-Lines-Res-Rent	NP-Lines-Bus-Conn	NP-Lines-Bus-Rent	NP-ISDN2-Res-Conn	NP-ISDN2-Res-Rent	NP-ISDN2-Bus-Conn	NP-ISDN2-Bus-Rent	NP-ISDN30-Bus-Conn	NP-ISDN30-Bus-Rent	NP-DSL-Conn	NP-DSL-Rent	NP-LA-Fibre-Res-Rent	NP-LA-Fibre-Bus-Rent	NP-Fiber-BB-iPLine-Conn	NP-Fiber-BB-iPLine-Rental	NP-TISBO-Conn	NP-TISBO-0-1Mbps-Rent	NP-TISBO-1-8Mbps-Rent	NP-LL-Conn	NP-LL-10Mb-Rent	NP-LL-100Mb-Rent	NP-LL-1Gb-Rent	NP-LL-10Gb-Rent	NP-LL-100Gb-Rent	NP-EYE-FFE-Fibre-Res-Conn	NP-EYE-FFE-Fibre-Res-Rent	NP-EYE-FFE-Fibre-Bus-Conn	NP-EYE-FFE-Fibre-Bus-Rent	NP-Fibre-BB-BSIL	NP-BA-Agg-Point-1Gb-Rental	NP-BA-Agg-Point-10Gb-Rental	NP-BA-Agg-Point-Burst-Rental	NP-BA-EP-1Gbps	NP-BA-EP-10Gbps			
NC-Access Copper	1																																					
NC-Access Fibre LL																																						
NC-Access Fibre NGA Spine										1			1	1								1																
NC-Access Fibre NGA Dist										1			1	1																								
NC-Access Fibre NGA Drop										1			1	1																								
NC-LL Exch Equip																100																						
NC-LL CPE Equip																						10	100	1000	10000	10000												
NC-TISBO Exch Equip																		1	1			1	1	1	1	1												
NC-TISBO CPE Equip																		1	1																			
NC-PSTN CPE/NTP	1.0		1																																			
NC-ISDN2 CPE/NTP					1		1																															
NC-ISDN 30 CPE/NTP								1																														
NC-NGA CPE Cons													1																									
NC-NGA CPE Bus														1																								
NC-DSLAM												1																										
NC-Exch - Lines	1		1		1		1																															
NC-NGA Systems														1	1												1											
NC-Access Duct	1		1											1	1							1	1	1	1	1												
NC-Access Poles	1		1		1		1																															
NC-Ethernet LL Equip																						1	1	1	1	1												
NC-BB Aggregation Equipment																																						
NC-BB BSIL																																						
NC-BB Access Equipment																																						

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	WP-LA-Fibre-Res-Conn	WP-LA-Fibre-Res-Rent	WP-LA-Fibre-Bus-Conn	WP-LA-Fibre-Bus-Rent	WP-LA-Fibre-Other	WP-LA-Fibre-CableConn	WP-LA-Fibre-Res-New-Provide	WP-LA-Fibre-Bus-New-Provide	WP-LA-Fibre-ECC	WP-LA-Fibre-TRC	WP-LA-Fibre-Fixed-Charges	WP-BA-ADSL-Conn-RM	WP-BA-ADSL-Rent-RM	WP-BA-Fiber-Bus-Conn-RM	WP-BA-Fiber-Bus-Rent-RM	WP-BA-Fiber-Cons-Conn-RM	WP-BA-Fiber-Cons-Rent-RM	WP-BA-Fiber-Conn	WP-BA-Fiber-Rent
NP-LA-Fibre-Res-Conn	1																		
NP-LA-Fibre-Res-Rent		1																	
NP-LA-Fibre-Bus-Conn			1																
NP-LA-Fibre-Bus-Rent				1															
NP-LA-Fibre-Other					1														
NP-LA-Fibre-CableConn						1													
NP-LA-Fibre-Res-New-Provide							1												
NP-LA-Fibre-Bus-New-Provide								1											
NP-LA-Fibre-ECC									1										
NP-LA-Fibre-TRC										1									
NP-LA-Fibre-Fixed-Charges											1								
NP-Lines-Res-Conn																			
NP-Lines-Res-Rent																			
NP-Lines-Bus-Conn																			
NP-Lines-Bus-Rent																			
NP-ISDN2-Res-Conn																			
NP-ISDN2-Res-Rent																			
NP-ISDN2-Bus-Conn																			
NP-ISDN2-Bus-Rent																			
NP-ISDN30-Bus-Conn																			
NP-ISDN30-Bus-Rent																			
NP-CO-Local																			
NP-CO-All																			
NP-Call Termination																			
NP-DSL-Conn												1							
NP-DSL-Rent													1						
NP-FiberBB-IPLine-Conn																			
NP-FiberBB-IPLine-Rental																			
NP-FiberBB-Paths																			
NP-FiberBB-BSIL																			
NP-BA-Agg-Point-Connection																			
NP-BA-Agg-Point-1Gb-Rental																			
NP-BA-Agg-Point-10Gb-Rental																			
NP-BA-Agg-Point-Burst-Rental																			
NP-BA-Agg-Point-Other																			
NP-BA-EP-1Gbps																			
NP-BA-EP-10Gbps																			
NP-BA-EP-Other																			
NP-TISBO-Conn																			
NP-TISBO-0-1Mbs-Rent																			
NP-TISBO-1-8Mbs-Rent																			
NP-LL-Conn																			
NP-LL-0-10Mb-Rent																			
NP-LL-10-100Mb-Rent																			
NP-LL-0.1-1Gb-Rent																			
NP-LL-1-10Gb-Rent																			
NP-LL-10Mb-Rent																			
NP-LL-100Mb-Rent																			
NP-LL-1Gb-Rent																			
NP-LL-10Gb-Rent																			
NP-LL-100Gb-Rent																			
NP-LL-Other																			
NP-LL-Core-Internet-10Mb-Rent																			
NP-LL-Core-Internet-100Mb-Rent																			
NP-LL-Core-Internet-1Gb-Rent																			
NP-LL-Core-Internet-100Gb-Rent																			
NP-DF-Single-Rental																			
NP-DF-Pair-Rental																			
NP-DF-Single-Conn																			
NP-DF-Pair-Conn																			
NP-DF-CPR																			
NP-DF-Cess																			
NP-DF-PP																			
NP-DF-ECC																			
NP-DF-Other																			
NP-Bandwidth external														3.2	137.42	82			

	WP-BA-Fiber-IPLine-Conn	WP-BA-Fiber-IPLine-Rental	WP-BA-Paths	WP-BA-BSIL	WP-BA-Agg-Point-Connection	WP-BA-Agg-Point-1Gb-Rental	WP-BA-Agg-Point-10Gb-Rental	WP-BA-Agg-Point-Burst-Rental	WP-BA-Agg-Point-Other	WP-BA-EP-1Gbps	WP-BA-EP-10Gbps	WP-BA-EP-Other	WR-TISBO-<8Mbs-Conn	WR-TISBO->8Mbs-Conn	WR-TISBO-0-1Mb-Rent	WR-TISBO-1-8Mbs-Rent	WP-LL-Conn	WP-LL-ECAS-10Mb-Rent	WP-LL-ECAS-100Mb-Rent	WP-LL-ECAS-1Gb-Rent	WP-LL-ECAS-10Gb-Rent	WP-LL-ECAS-100Gb-Rent	WP-LL-EDAS-10Mb-Rent	WP-LL-EDAS-100Mb-Rent	WP-LL-EDAS-1Gb-Rent	WP-LL-EDAS-10Gb-Rent	WP-LL-EDAS-100Gb-Rent	WR-LL-Etherline-1-10Mb-Rent	WR-LL-Etherline-1-100Mb-Rent	WR-LL-Etherline-1-1Gb-Rent	WR-LL-Etherline-1-10Gb-Rent		
NP-LA-Fibre-Res-Conn																																	
NP-LA-Fibre-Res-Rent																																	
NP-LA-Fibre-Bus-Conn																																	
NP-LA-Fibre-Bus-Rent																																	
NP-LA-Fibre-Other																																	
NP-LA-Fibre-CableConn																																	
NP-LA-Fibre-Res-New-Provide																																	
NP-LA-Fibre-Bus-New-Provide																																	
NP-LA-Fibre-ECC																																	
NP-LA-Fibre-TRC																																	
NP-LA-Fibre-Fixed-Charges																																	
NP-Lines-Res-Conn																																	
NP-Lines-Res-Rent																																	
NP-Lines-Bus-Conn																																	
NP-Lines-Bus-Rent																																	
NP-ISDN2-Res-Conn																																	
NP-ISDN2-Res-Rent																																	
NP-ISDN2-Bus-Conn																																	
NP-ISDN2-Bus-Rent																																	
NP-ISDN30-Bus-Conn																																	
NP-ISDN30-Bus-Rent																																	
NP-CO-Local																																	
NP-CO-All																																	
NP-Call Termination																																	
NP-DSL-Conn																																	
NP-DSL-Rent																																	
NP-FiberBB-IPLine-Conn	1																																
NP-FiberBB-IPLine-Rental		1																															
NP-FibreBB-Paths			1																														
NP-FibreBB-BSIL				1																													
NP-BA-Agg-Point-Connection					1																												
NP-BA-Agg-Point-1Gb-Rental						1																											
NP-BA-Agg-Point-10Gb-Rental							1																										
NP-BA-Agg-Point-Burst-Rental								1																									
NP-BA-Agg-Point-Other									1																								
NP-BA-EP-1Gbps										1																							
NP-BA-EP-10Gbps											1																						
NP-BA-EP-Other												1																					
NP-TISBO-Conn													1	1																			
NP-TISBO-0-1Mbs-Rent															1																		
NP-TISBO-1-8Mbs-Rent																1																	
NP-LL-Conn																	1																
NP-LL-0-10Mb-Rent																		1															
NP-LL-10-100Mb-Rent																			1														
NP-LL-0.1-1Gb-Rent																				1													
NP-LL-1-10Gb-Rent																					1												
NP-LL-10Mb-Rent																						1											
NP-LL-100Mb-Rent																							1										
NP-LL-1Gb-Rent																								1									
NP-LL-10Gb-Rent																									1								
NP-LL-100Gb-Rent																										1							
NP-LL-Other																											1						
NP-LL-Core-Internet-10Mb-Rent																																	
NP-LL-Core-Internet-100Mb-Rent																																	
NP-LL-Core-Internet-1Gb-Rent																																	
NP-LL-Core-Internet-100Gb-Rent																																	
NP-DF-Single-Rental																																	
NP-DF-Pair-Rental																																	
NP-DF-Single-Conn																																	
NP-DF-Pair-Conn																																	
NP-DF-CPR																																	
NP-DF-Cess																																	
NP-DF-PP																																	
NP-DF-ECC																																	
NP-DF-Other																																	
NP-Bandwidth external																																	

Annex 6 Cost Centres

Cost centres

Segment	Sector	Segment	Cost Centre	Cost Centre Name
Retail		S021	210001	Product & Propositions - Retail
		S021	210002	Marketing - Retail
		S021	210003	Sales - Retail
		S021	210004	Customer Experience - Retail
		S021	210005	Delivery & Programmes - Retail
		S021	210006	Regulatory Recharge QUERY
		S021	210007	Retail Central
		S029	210008	Recharges - C&RB
		S021	210009	Technology - Retail
Business		S001	210101	Major Accounts
		S001	210102	Key Accounts
		S001	210103	Channel
		S001	210104	Wholesale
	Business Delivery	S001	210105	Professional Services
		S001	210106	Project Management
		S001	210107	Transactional Delivery
		S001	210108	Delivery Support
		S001	210109	Customer Services
Wholesale & Networks		S099	210201	Technology Strategy
		S099	210202	Core Platform and Infrastructure
			210203	Systems
		S099	210204	Customer Service Operations
		S099	210205	Cyber and Info Security
		S099	210206	Engineering Delivery
		S099	210207	FFE
		S099	210208	Networks Central
		S099	210209	Wholesale
		S099	210210	Direct Costs - Wholesale
		S099	210301	Recharges - Wholesale
		S099	201322	BT Cost Collection
Central		S099	201411	Estates
		S099	201412	Finance
		S099	201414	HR
		S099	201416	Legal
		S099	201417	Exec
		S099	201419	Procurement
		S099	201420	Margin Assurance
		S099	201421	Regulatory
		S099	201422	Business Development
		S099	210203	Digital
		S099	210205	Cyber, Information Security & Risk