KCOM Group Limited

Annual report and audited financial statements

For the year ended 31 March 2025

Company number: 02150618

KCOM Group Limited

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KCOM Group Limited

Company information

Directors

Name of Director	Date of appointment	Date of resignation
Johan Eric Dennelind	23/05/2022	31/01/2025
Fiona Goldsmith	28/04/2022	N/A
Jaap-Jan Linze Postma	28/01/2020	N/A
Tim Shaw	28/04/2022	31/07/2025
Achal Anil Kumar Arora	29/06/2023	28/11/2024
John Bernard Fitzgerald	18/10/2019	31/05/2024
Pauline Mary Walsh	01/03/2024	27/02/2025
Richard Greenleaf	28/11/2024	N/A
Richard Schaefer	31/07/2025	N/A

Registered office

37 Carr Lane,
Hull,
East Yorkshire,
HU1 3RE

Company number

02150618

Independent auditors

Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
City Square House
11 Wellington Street
Leeds
LS1 4DL

KCOM Group Limited

Strategic report

for the year ended 31 March 2025

The directors present their Strategic report and the audited consolidated financial statements of KCOM Group Limited and its subsidiaries (together the 'Group') for the year ended 31 March 2025.

Principal activities

KCOM Group Limited is the ultimate UK holding company of the KCOM Group ("KCOM"). The principal activities of the group are providing internet, voice and network services to both wholesale and retail customers across Hull, East Yorkshire and North Lincolnshire. KCOM Group Limited is owned by MEIF 6 Luxembourg Investments S.a.r.l, a company incorporated in Luxembourg. MEIF 6 Luxembourg Investments S.a.r.l is a wholly owned indirect subsidiary of Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited, registered in Luxembourg).

Business review

The FY25 year saw the culmination of our 120th anniversary celebrations, an opportunity to celebrate our history and look ahead to future possibilities. During the year, KCOM strengthened performance, built on exceptional customer satisfaction and contributed to greater digital inclusion in our region.

KCOM's operating landscape has changed significantly in recent years. Our business continues to successfully navigate this environment and put outstanding experience for customers at the heart of our strategy. Performance for the year reflects our success in serving customers, setting ourselves up for the future, and leading the way as the UK's most reliable network (Ofcom, May 2025).

Future developments

KCOM's fast, secure and reliable full fibre network underpins the Company's position as the leading connectivity provider in our region. We look to continue to provide exceptional customer experience, invest in our network to future-proof full fibre, and launch innovative new products and services.

Our performance is dependent on our ability to continue to provide leading service and experience for our customers. Our performance benefits from long term macro trends including:

- Customers demanding better reliability and higher speed of fibre to their homes (FTTH).
- Increased data consumption which makes copper and cable offerings insufficient (e.g. streaming services and online gaming).

KCOM has invested in expanding and upgrading its network to provide full fibre broadband across Hull and East Yorkshire, including to many remote, rural and coastal communities previously left behind by high-speed connectivity.

Key performance indicators (“KPIs”)

Management assesses the Group's results using a number of indicators which are shown below:

Description	2025 £’000	2024 £'000
Revenue	96,210	101,889
EBITDA*	39,913	42,397
Loss before tax	(31,225)	(1,621)

*Alternative performance measures used throughout the Annual report and financial statements are defined and reconciled to statutory measures in the Glossary on page 71.

There has been a decrease of revenue of £5,679,000 (5.6%) year on year. The Group has executed a number of cost savings initiatives, which mean EBITDA has decreased by £2,484,000 (5.9%), and the Group has seen Operating profit before exceptional items increase by £8,185,000 due to the sale of surplus assets, which realised £5,023,000 (2024: £1,538,000) in the financial year, and lower depreciation charges due to ongoing transformation activities (the switch off of the legacy copper network and replacement of end of life systems).

Looking forward both executed and planned transformation projects leave the Group in a strong position to maintain a strong EBITDA.

Principal risks and uncertainty

The table below shows the principal risks and uncertainties that could have a material adverse effect on the business and have been identified through our risk management framework. This list is not exhaustive and there may be risks and uncertainties of which we are currently unaware, or which are believed to be immaterial, that could have an adverse effect on the business.

<u>Wellbeing, health and safety</u>

Why is it important?	What are we doing to mitigate the risk?
The wellbeing, health and safety (H&S) of our people is of paramount importance to us. We have a number of people who undertake high risk activities, such as working at height, working in confined spaces etc.	We have an in-house wellbeing, health and safety team with significant experience of wellbeing, health and safety issues specific to our industry. We have a comprehensive training programme in place which provides general training to our employees through mandatory e-learning, and specific training to those who undertake higher risk activities.
It is important to us to mitigate wellbeing, health and safety risk as far as possible to try to prevent incidents from occurring.	Our Executive Leadership Team and Board members regularly attend site safety walks. The Health, Safety and Environmental Sustainability Sub-Committee continues to monitor performance against expected safety standards and ensure that policies are kept up to date and adhered to. We maintain a H&S management system to provide a structured framework in order to ensure that we have a safe and healthy workplace.

KCOM Group Limited

Strategic report

for the year ended 31 March 2025 (continued)

Principal risks and uncertainty (continued)

<u>Security and resilience of our networks and IT systems</u>

Why is it important?

We need our networks and IT systems to continue operating to provide service to our customers. It is therefore essential that we have secure systems and networks in place that are resilient to network upgrades, malicious activity and physical factors (e.g. risk of flooding and extreme weather).

What are we doing to mitigate the risk?

We continue to maintain a number of security and resilience standards, including ISO 27001 Information Security Management standard and Cyber Essentials Plus.

We regularly test our business continuity and disaster recovery plans and feedback any lessons learnt into the resilience planning process, which in turn is continually reviewed and updated on an ongoing basis.

We have an in-house cyber security team in place to identify and address vulnerabilities and keep up to date on emerging cyber risks through involvement in information sharing forums and liaison with government agencies.

In line with the UK telecommunications industry, KCOM is implementing the requirements of the Telecommunications Security Act 2021 and the Product Security and Telecommunications Infrastructure Act 2022.

<u>Regulatory obligations</u>

Why is it important?

As a telecommunications provider, we are regulated by Ofcom and there are multiple conditions and regulations with which we need to comply. A failure to meet our regulatory obligations may impact our ability to operate effectively, result in financial penalties, and/or lead to reputational damage.

What are we doing to mitigate the risk?

We have an in-house regulatory team which is responsible for ensuring we understand our obligations and that these are communicated to the appropriate people across the business so that we can ensure the necessary controls are in place. This is augmented by mandatory e-learning.

We continue to work closely with our suppliers to make sure that our obligations are passed on and complied with in the areas where we are reliant on third parties for the provision of services.

<u>Competitive landscape</u>

Why is it important?

Network overbuild in the Hull area increases competitive pressure and risks erosion of KCOM's market share and revenue due to pricing pressure.

What are we doing to mitigate the risk?

KCOM rebased its strategy in 2025 with renewed focus on customer experience, service innovation and network reliability, along with prioritising customer recontracting and investment in marketing and technology.

Strategic report

for the year ended 31 March 2025 (continued)

Section 172 (1) Statement

In accordance with section 172 (1) of the Companies Act 2006, each of our directors acts in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

In doing so directors have regard, among other matters, to:

- the likely consequences of any decision in the long-term;
- the interests of employees;
- the need to foster business relationships with suppliers, customers and others;
- the impact of operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

Information about key stakeholder groups, their interests and how KCOM engages with them and takes their views and concerns into account is shown on pages 8 - 9.

While direct stakeholder engagement often takes place at senior management or operational level rather than at Board level, during the year the Board received information about stakeholder views and interests that enabled it to consider the impact of the Group's activities and Board decisions on these groups.

The directors also receive information relating to the Company strategy, financial and operational performance, risks and compliance with legal and regulatory requirements.

As a result, the directors are able to comply with their legal duty under section 172 (1) of the Companies Act 2006.

This report was approved by the Board on **13 February 2026** and signed on its behalf by:

Richard Schafer

Richard Schaefer
Chief Executive Officer

KCOM Group Limited

Directors' report

for the year ended 31 March 2025

The directors present their Directors' report and the audited consolidated and company financial statements for the year ended 31 March 2025.

Future developments

The Group's future developments are outlined in the future developments section of the Strategic report.

Results

The loss for the year attributable to owners of the parent for the financial year amounts to £25,017,000 (2024: £163,000).

Dividend

The Company did not declare or pay any dividends during the year (2024: £nil). The directors do not propose a dividend in respect of the financial year ended 31 March 2025 (2024: £nil).

Board of Directors

The directors who served during the year and up to the date of signing the financial statements are listed on page 1.

Board composition at the date of signing of the accounts

Richard Greenleaf (Chairman and Employee of Macquarie)
Jaap-Jan Linze Postma (Non-Executive Director)
Fiona Goldsmith (Non-Executive Director)
Richard Schaefer (Chief Executive Officer and employee of KCOM Group Limited)

KCOM's Board of Directors is made up of Executive and Non-Executive Directors with a valuable range of skills, backgrounds and experience. The Board has overall responsibility for setting the risk appetite for the business and for ensuring that the overall risk profile is aligned with this. It is also responsible for ensuring that the business maintains sound internal control and risk management systems, as well as reviewing the effectiveness of those systems. Our internal risk team produces a Corporate Risk Register that is reviewed by the Board every six months. The Corporate Risk Register consolidates risks that are recorded in local registers maintained by business units throughout KCOM. The Board is satisfied that these systems and processes are embedded within the day-to-day activities of the business and cover all material controls, including financial, operational and compliance controls.

The risk registers produced by our internal risk team are also reviewed by the Executive Leadership Team (ELT) before they are presented to Board. The ELT is responsible for reviewing the risks that have been recorded, to ensure completeness and accuracy, as well as assessing the suitability of the mitigations in place and any proposed timescales for further controls to be implemented.

Our risk governance

The Audit and Risk committee advises the Board as to the integrity of the company's financial reporting process, the audit process, the system of internal controls including cyber security and business continuity, the identification and management of significant risks and its compliance with laws and regulations. The Committee has oversight of, and authorises, the business financial and sustainability reporting disclosures.

The Board oversees our environmental and health and safety strategy, and bi-monthly reviews the performance and KPIs and the identification or risks and opportunities relative to the subject matter.

Going concern

During 2025, the KCOM Group commenced negotiations with its lenders and shareholders to restructure its current capital structure, in order that the Company's capital structure is sustainable and allows the Company to continue as a best-in-class provider of connectivity services to its customers and to meet its obligations as they become due. An agreement has been reached in February 2026, to capitalise interest and reset covenants. The amended facility continues to mature in September 2027.

In parallel with the amended facility, the Company has entered into an agreement (the Agreement) with its lenders and shareholder. The Agreement may result in a sale, a sale of assets or a reorganisation. The directors cannot reasonably assess the outcome of the Agreement, which is expected to conclude within the going concern assessment period.

Notwithstanding the outcomes under the Agreement, the directors have assessed cash flow forecasts for the period up to and including 31 March 2027, and full compliance with covenant requirements under the amended facility throughout going concern period is expected. Additionally, the directors have sensitised the forecasts for the Group to reflect a plausible downside scenario and assessed the plausibility of a reverse stress test for significant changes in customer cease rates and prices charged to customers. In both the base case and downside scenarios the forecasts show that the Group will have sufficient liquidity to enable it to meet its obligations as they fall due and will comply with all covenants up to and including 31 March 2027 and that implausible changes were required under the reverse stress test.

Under the Agreement, all outcomes cannot be fully assessed at the date of the approval of these financial statements, and as such represent events or conditions which indicate a material uncertainty that may cast significant doubt on the Group's and parent company's ability to continue as a going concern.

After making enquiries and taking into account the material uncertainty referred to above, the directors have a reasonable expectation that the Group and parent company has adequate resources to continue in operational existence for the foreseeable future. The Group and parent company therefore continues to adopt the going concern basis in preparing its financial statements.

Subsequent events

Subsequent to the year end the available terms of the loan were amended such that outstanding interest was capitalised and covenants amended.

Financial risk management

Information about the financial risk management policies in place, and the way in which credit risk, liquidity risk, interest rate risk and foreign currency risk are managed, is in Note 26 to the financial statements.

The principal financial risk is interest rate risk for which interest rate risk the Company has entered into interest rate derivatives with members of its lender group, with £360,000,000 of the £425,000,000 debt drawdown hedged until 30 September 2026.

Statement on engagement with suppliers, customers, and others in a business relationship with the Company

The Group remains active on engaging with all stakeholders and the table below identifies key stakeholders and how the group engages with them:

Stakeholders	Stakeholders’ key interests	Ways we have engaged
Colleagues Our most important asset is our people. Our focus is on attracting, engaging, developing and retaining talented individuals, providing opportunities for career-long learning and development and providing safe workplaces within an inclusive culture that values diversity.	• Business strategy and plans. • Health, safety and wellbeing. • Reward and recognition. • Learning and development opportunities. • Diversity and inclusion.	• Senior management regular updates. • Board member safety walks and participation in wellbeing training. • Employee engagement surveys. • Monthly Mental Health First Aider Calls and employee wellbeing week focused on physical, mental and financial health. • Continued growth of the Inclusion team and DE&I activities. • Two days volunteering for all staff.
Customer Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain and attract customers and identify opportunities for growth.	• Availability and reliability of services. • Value for money. • Protection from harms related to the services we provide (such as online threats).	• Net Promoter Score (NPS) surveys. • Senior management interaction with key business customers. • Senior management involvement in resolution of customer complaints. • Make social tariff more accessible and affordable.
Community and local government Committed to playing our part in making it a better place to live, work and invest.	• Creation of jobs and wealth within the region’s economy. • Contribution to improving the lives of local residents.	• Meetings between Board members/ senior management and local civic and business leaders. • Community investment programme focused on connecting communities, delivering digital skills and boosting business success. • Series of community initiatives and sponsorships. • STEM/WiME focused activities with local schools and colleges.
Suppliers We rely on the high standards of our carefully selected suppliers to deliver reliable services that meet customer needs.	• Long-term relationships with key suppliers. • Fair payment terms. • Responsible and ethical business practices.	• Senior management meetings with key suppliers. • Informing suppliers of changes to the business in advance.

KCOM Group Limited

Directors' report

for the year ended 31 March 2025 (continued)

Statement on engagement with suppliers, customers, and others in a business relationship with the Company (continued)

Stakeholders	Stakeholders' key interests	Ways we have engaged
Regulators and government Our main regulatory relationship is with Ofcom.	• Protection of consumers, particularly those who are vulnerable. • Promotion of competition • Encouraging investment and innovation. • Supporting investment in critical digital infrastructure.	• Meetings between Board members/ senior management and Ofcom. • Engagement with the Department for Science, Innovation and Technology about the Government's gigabit-capable connectivity ambitions and other strategic priorities.

Employees

Our people make the difference to our customers and our workplace and enable us to differentiate ourselves from our competitors. We therefore want our employment strategies to help our people develop to their full potential while also driving our business performance. Our employment policies are designed to provide equal opportunities irrespective of age, disability, ethnicity, gender, gender reassignment, marital and civil partnership status, nationality, pregnancy, maternity and paternity, race, religion and belief, and sexual orientation, as detailed on the KCOM website at www.kcom.com/careers/.

All employees, whether part-time or full-time, temporary or permanent, are treated fairly and equally. We select employees for employment, promotion, training or other matters affecting their employment on the basis of aptitude and ability.

The Company gives full and fair consideration to applications for employment by disabled persons where the candidates aptitudes and abilities adequately meet the requirements of the job. It is the Company's policy to provide continuing employment of, and to arrange appropriate training wherever practicable where an existing employee becomes disabled. The Company also provides equal opportunities for the training, career development and promotion of disabled persons.

As well as an intranet we have internal communications tools that allow our people to post messages, share content and provide feedback to others across the business. We have a weekly round-up email which keeps everyone informed of activities and developments across the Group.

The Group does not offer any share-based incentives to employees and has no current plans to do so.

Gender Diversity and Gender Pay Gap is reported on page 11 of our sustainability report on our website.

Human Rights

We respect fundamental human rights consistent with the United Nations Universal Declaration of Human Rights and we ensure this is reflected in our internal policies. We are committed to doing all we can to assist in the eradication of slavery and human trafficking. We have a zero-tolerance approach to any slavery or human trafficking activity within our business or in our supply chain. Our employees are encouraged to raise any concerns through our Speaking Up process, ensuring that whistle blowers are protected from any unfair treatment as a result of making a report.

We review our Modern Slavery Act Transparency Statement annually to ensure it remains suitable and sufficient. Our most recent version is available on our website: https://www.kcom.com/responsibility/corporate-governance/modern-slavery-statement/.

KCOM Group Limited

Directors' report

for the year ended 31 March 2025 (continued)

Indemnification of directors

The Company has a qualifying third-party indemnity provision in force for each director who served during the year and at the date of approval of the financial statements against potential liabilities incurred in connection with any claim brought against him or her, to the fullest extent permitted by the Companies Act 2006. The deed also obliges the Company to maintain directors' and Officers' insurance throughout the directorship and for six years after an individual ceases to be a director.

Streamlined energy and carbon reporting statement (SECR)

Energy efficiency actions

During the reporting period, we have continued with the implementation of our energy efficiency plans which have reduced consumption of purchased electricity 6% compared to FY24. Activities have included the migration of services from less efficient legacy platforms, upgrades to heating, ventilation and air-conditioning (HVAC) systems, and more efficient utilisation of the Company's premises.

The pace at which we can transition the commercial fleet to electric vehicles is subject to the practical limitations of vehicle range and available charging infrastructure across our region. We already operate a small number of electric vehicles and continue to enhance and develop the use of our vehicle telematics system that was introduced last year across our commercial fleet, to enable more efficient operation of the fleet. The system will also play a significant role in helping us to increase the number of electric vehicles in our fleet.

Methodology & Assurance

Our methodology for calculating GHG emissions follows the GHG Protocol Corporate Standard and uses the 2024 Government emission conversion factors for greenhouse gas company reporting.

Independent limited assurance of scope 1&2 emissions has been completed according to ISO 14064-3. Our sustainability reports can be found on our website: https://www.kcom.com/responsibility/corporate-governance/reporting/.

The table below sets out our annual emissions in tonnes of CO2e and GWh by Scope:

Energy Consumption

Data point	Unit	FY2025	FY2024	+/-
Direct energy consumption (GHG, scope 1)	GWh	2.96	3.66	-19%
Automotive fuels*	GWh	2.11	2.74	-23%
Gas**	GWh	0.22	0.26	-15%
Oil***	GWh	0.63	0.66	-5%
Indirect energy consumption (GHG, scope 2)	GWh	12.19	12.90	-6%
Purchased electricity	GWh	12.19	12.90	-6%
Indirect energy consumption (GHG, scope 3)	GWh	0.71	0.77	-8%
Business travel****	GWh	0.71	0.77	-8%
Total direct and indirect energy consumption	GWh	15.86	17.33	-8%

* Diesel and petrol used by company-controlled vehicles
** Natural gas consumption for heating of premises. Propane used in engineering operations
*** Oil processed in ICE generators for electricity generation. Oils used in engineering operations
**** Fuel used in personal/hire cars on business use (including fuel for which the organisation reimburses its employees following claims for business mileage).

KCOM Group Limited

Directors' report

for the year ended 31 March 2025 (continued)

Streamlined energy and carbon reporting statement (SECR) (continued)

Greenhouse gas (GHG) emissions

Data point	Unit	FY2025	FY2024	+/-
Direct GHG emissions (scope 1)	tonnes CO_2e	779	1,110	-30%
Company vehicles	tonnes CO_2e	535	655	-18%
Fugitive emissions - industrial process refrigeration	tonnes CO_2e	28	234	-88%
Oil (heating)	tonnes CO_2e	170	166	2%
Oil (generators)	tonnes CO_2e	5	6	-17%
Methane gas	tonnes CO_2e	38	43	-12%
Engineering plant & equipment (construction)	tonnes CO_2e	<1	<1	-
Propane	tonnes CO_2e	2	5	-60%
Indirect GHG emissions (scope 2)	tonnes CO_2e	2,523	2,670	-6%
Purchased electricity (location-based*****)	tonnes CO_2e	2,523	2,670	-6%
Purchased electricity (location-based******)	tonnes CO_2e	2,523	2,670	-6%
Total scope 1 & 2 GHG emissions (location-based)	tonnes CO_2e	3,302	3,780	-13%
Total scope 1 & 2 GHG emissions (market-based)	tonnes CO_2e	3,302	3,780	-13%
Indirect GHG emissions (scope 3)	tonnes CO_2e	212	191	11%
Business travel	tonnes CO_2e	212	191	11%
GHG intensity (scope 1 & 2)	tonnes CO_2e per '000 revenue	0.0343	0.0371	-8%

***** LB - Location-based emissions calculated in line with the UK grid-average emissions factor provided by the UK government
****** MB - Market-based emissions from electricity the Company has chosen to purchase.

Statement of directors’ responsibilities in respect of the financial statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including UK-adopted international accounting standards.

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Company and the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

KCOM Group Limited

Directors' report

for the year ended 31 March 2025 (continued)

Statement of directors' responsibilities in respect of the financial statements (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the Company's performance, business model and strategy and is fair, balanced and understandable.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

To the best of my knowledge:

- the Group financial statements, prepared in accordance UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the Strategic report and Directors' report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

Matters covered in the Strategic report

The Group has chosen, in accordance with the Companies Act 2006, section 414C(11) to set out in the Group's Strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of future developments.

Directors' report

for the year ended 31 March 2025 (continued)

Independent auditors

A resolution has been passed to maintain Grant Thornton UK LLP as auditors until such time as the Board decides otherwise. They have provided an independent audit opinion which can be found on pages 14 to 17.

Approval

This Directors’ report was approved by order of the Board on **13 February 2026** and signed on its behalf by:

Richard Schafer

Richard Schaefer
Chief Executive Officer

KCOM Group Limited

Independent auditor's report to the members of KCOM Group Limited

Opinion

We have audited the financial statements of KCOM Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2025, which comprise the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of changes in equity, the consolidated and parent company statement of cash flow statements and notes to the financial statements, including material accounting policy information. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2025 and of the group's and the parent company’s loss for the year then ended;
- the financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the ‘Auditor’s responsibilities for the audit of the financial statements’ section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2.2 in the financial statements, which sets out that the Company has entered into an agreement with its lenders and shareholders in February 2026, which may result in a sale, a sale of assets, or a reorganisation. As a result of the agreement entered into, the directors cannot reasonably assess the outcome of the agreement at the date of approval of the financial statements. As stated in Note 2.2, these events or conditions, along with the other matters as set forth in Note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities

We are responsible for concluding on the appropriateness of the directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor’s opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report and the financial statements, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information contained within the annual report and the financial statements. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors’ report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors’ report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors’ responsibilities set out on pages 11 - 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

KCOM Group Limited

Independent auditor's report to the members of KCOM Group Limited (continued)

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and parent company and determined that the most significant are financial reporting legislation being UK-adopted international accounting standards, Companies Act 2006, and relevant UK tax legislation.

- We understood how the group and parent company is complying with those legal and regulatory frameworks by making inquiries of management and those responsible for legal and compliance procedures. We enquired of management and those charged with governance whether there were any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual or suspected fraud. We corroborated the results of our enquiries through review of legal and professional fee expenditure.

- We assessed the susceptibility of the group and parent company’s financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls.

- In assessing the potential risks of material misstatement, we obtained an understanding of:

  a) the group and parent company’s operations, including the nature of their revenue sources, products and services and of their objectives and strategies to understand the classes of transactions, account balances, expected financial disclosures and business risks that may result in material misstatement;
  b) the group and parent company’s control environment, including the adequacy of the training to inform staff of the relevant legislation, the adequacy of procedures for authorisation of transactions, and procedures to ensure that possible breaches of requirements are appropriately resolved.

- Audit procedures performed by the engagement team included:
  a) identifying and assessing the design and implementation of controls management has in place to prevent and detect fraud;
  b) identifying and testing journal entries, in particular journal postings that had material effect to the financial statements that were considered unusual account combinations and those determined to be large or relating to unusual transactions based on our understanding of the business;
  c) challenging assumptions and judgements made by management in its significant accounting estimates; and
  d) completion of audit procedures to conclude on the compliance of disclosures in the annual report and accounts with applicable financial reporting requirements.

Auditor’s responsibilities for the audit of the financial statements (continued)

- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

- The engagement partner’s assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team’s:
  a) understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
  b) knowledge of the industry in which the group and parent company operates; and
  c) understanding of the legal and regulatory requirements specific to the group and parent company.

- We communicated relevant laws and regulations and potential risks to all engagement team members and remained alert to indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

This report is made solely to the Company’s members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria McLoughlin
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
13 February 2026

KCOM Group Limited

Consolidated income statement

for the year ended 31 March 2025

	Notes	2025 £'000	2024 £'000
Revenue	4	96,210	101,889
Other income		158	323
Operating expenses		(77,743)	(91,772)
Operating profit before exceptional items		18,625	10,440
Exceptional items	7	(40,334)	(3,265)
Operating (loss)/profit	5	(21,709)	7,175
Finance income	9	286	983
Finance costs	9	(9,766)	(9,779)
Share of loss of joint venture		(36)	-
Loss before tax		(31,225)	(1,621)
Tax on loss	10	6,208	1,458
Loss for the year		(25,017)	(163)

The above results are all derived from continuing operations (2024: continuing).

The notes on pages 24 to 70 form an integral part of these financial statements.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 not to present the parent company income statement or statement of comprehensive income.

There was loss of £468,732,000 for the parent company in the year (2024: £nil).

KCOM Group Limited

Consolidated statement of comprehensive income

for the year ended 31 March 2025

	Note	2025 £'000	2024 £'000
Loss for the year		(25,017)	(163)
Other comprehensive expense			
Items that will not be reclassified to profit or loss:			
Remeasurements of retirement benefit obligations	28	(2,790)	(6,703)
Tax on items that will not be reclassified to profit or loss	24	698	1,676
Total other comprehensive expense		(2,092)	(5,027)
Total other comprehensive expense for the year attributable to owners of the parent		(27,109)	(5,190)

The notes on pages 24 to 70 form an integral part of these financial statements.

KCOM Group Limited

Registered number: 02150618

Consolidated and parent company statement of financial position

as at 31 March 2025

		Consolidated		Parent company	
		2025	**2024**	**2025**	**2024**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Assets					
Non-current assets					
Intangible assets	11	10,773	22,761	-	-
Property, plant and equipment	12	153,614	180,488	-	-
Right-of-use assets	13	2,224	959	-	-
Trade and other receivables	17	-	725	-	-
Lease receivables	22	-	1,405	-	-
Investments	14	-	35	25,729	494,461
Contract costs	15	315	310	-	-
Retirement benefit asset	28	3,245	3,489	-	-
		170,171	210,172	25,729	494,461
Current assets					
Cash and cash equivalents	20	19,444	9,275	-	-
Lease receivables	22	1,087	1,101	-	-
Contract costs	15	614	535	-	-
Trade and other receivables	17	15,991	10,941	-	-
Inventories	16	3,419	4,173	-	-
		40,555	26,025	-	-
Total assets		210,726	236,197	25,729	494,461
Liabilities					
Current liabilities					
Trade and other payables	18	(17,833)	(28,486)	(545)	(545)
Lease liabilities	21	(1,857)	(1,998)	-	-
Provisions	23	(105)	(1,231)	-	-
		(19,795)	(31,715)	(545)	(545)
Non-current liabilities					
Loans from related parties	19	(183,367)	(164,000)	-	-
Lease liabilities	21	(2,055)	(1,617)	-	-
Deferred tax liabilities	24	(428)	(6,649)	-	-
Provisions	23	-	(26)	-	-
		(185,850)	(172,292)	-	-
Total liabilities		(205,645)	(204,007)	(545)	(545)
Net assets		5,081	32,190	25,184	493,916

Consolidated and parent company statement of financial position

as at 31 March 2025 (continued)

		Consolidated		Parent company	
		2025	**2024**	**2025**	**2024**
	Note	**£'000**	**£'000**	**£'000**	**£'000**
Equity					
Capital and reserves attributable to owners of the parent					
Share capital	25	52,022	52,022	52,022	52,022
Share premium account		353,231	353,231	353,231	353,231
Accumulated losses*		(400,172)	(373,063)	(380,069)	88,663
Total equity		5,081	32,190	25,184	493,916

* Included within consolidated accumulated losses is a loss after tax for the year of £25,017,000 (2024: £163,000) for the Group and loss of £468,732,000 for the parent company (2024: £nil).

The notes on pages 24 to 70 are an integral part of these consolidated financial statements.

The financial statements on pages 18 to 70 were approved and authorised for issue by the Board of Directors on **13 February 2026** and were signed on its behalf by:

Richard Schafer

Richard Schaefer
Chief Executive Officer

Consolidated and parent company statement of changes in equity

for the year ended 31 March 2025

Consolidated statement of changes in equity

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total equity £'000
At 1 April 2023	52,022	353,231	(367,873)	37,380
Loss for the year	-	-	(163)	(163)
Other comprehensive expense	-	-	(5,027)	(5,027)
Total comprehensive expense for the year	-	-	(5,190)	(5,190)
At 31 March 2024	52,022	353,231	(373,063)	32,190
At 1 April 2024	52,022	353,231	(373,063)	32,190
Loss for the year	-	-	(25,017)	(25,017)
Other comprehensive expense	-	-	(2,092)	(2,092)
Total comprehensive expense for the year	-	-	(27,109)	(27,109)
At 31 March 2025	52,022	353,231	(400,172)	5,081

The notes on pages 24 to 70 are an integral part of these consolidated financial statements.

The share capital account is used to record the nominal value of shares issued to date (note 25).

Share premium represents the excess paid over the nominal value of shares issued to date.

Accumulated losses represent losses that have been recorded and built up over previous financial years.

Parent company statement of changes in equity

for the year ended 31 March 2025

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 April 2023	52,022	353,231	88,663	493,916
Result for the year	-	-	-	-
At 31 March 2024	52,022	353,231	88,663	493,916
At 1 April 2024	52,022	353,231	88,663	493,916
Loss for the year	-	-	(468,732)	(468,732)
At 31 March 2025	52,022	353,231	(380,069)	25,184

The notes on pages 24 to 70 are an integral part of these consolidated financial statements.

Consolidated and parent company cash flow statements

for the year ended 31 March 2025

		Consolidated		Parent company	
		2025	2024	2025	2024
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Operating (loss)/profit		(21,709)	7,175	-	-
Adjustments for:					
Depreciation and amortisation	11, 12	25,436	32,682	-	-
Right of use asset depreciation	13	523	564	-	-
Impairment of intangible assets	11	2,361	-	-	-
Impairment of property, plant and equipment	12	32,547	-	-	-
Impairment of right-of-use assets	13	485	-	-	-
(Increase)/decrease in trade receivables	17	(4,410)	3,775	-	-
Decrease in inventories	16	754	722	-	-
(Decrease)/increase in trade payables	18	(9,919)	2,271	-	-
Decrease in provisions	23	(1,152)	(1,935)	-	-
Loss on disposal of property, plant and equipment	5	231	251	-	-
Profit on disposal of intangible assets	5	(5,023)	(1,538)	-	-
Loss/(profit) on disposal of right-of-use asset	5	121	(2)	-	-
Non-employee-related pension charges	28	1,043	921	-	-
Payments made to defined benefit pension schemes	28	(3,367)	(3,176)	-	-
Net cash generated from operating activities		17,921	41,710	-	-
Cash flows from investing activities					
Purchase of property, plant and equipment	12	(19,467)	(29,615)	-	-
Purchase of intangible assets	11	(2,244)	(6,091)	-	-
Interest received on lease receivable	9, 22	64	568	-	-
Proceeds from sale of intangibles		5,023	1,945	-	-
Capital element of lease payments received	19	1,364	5,740	-	-
Dividends received		-	11	-	-
Net cash used in investing activities		(15,260)	(27,442)	-	-
Cash flows from financing activities					
Interest paid	9	(6,256)	(9,158)	-	-
Interest paid on right of use assets	9, 21	(239)	(604)	-	-
Capital element of lease repayments	19	(2,097)	(7,820)	-	-
Drawdown of loans from related parties	19	21,800	3,600	-	-
Repayment of loans from related parties	19	(5,700)	(5,100)	-	-
Net cash flows generated in financing activities		7,508	(19,082)	-	-
Increase/(decrease) in cash and cash equivalents	20	10,169	(4,814)	-	-
Cash and cash equivalents at the beginning of the year	20	9,275	14,089	-	-
Cash and cash equivalents at the end of the year		19,444	9,275	-	-

The notes on pages 24 to 70 form an integral part of these financial statements.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025

1 Company background

KCOM Group Limited is a private company limited by shares and is incorporated and domiciled in England in the United Kingdom. The address of the registered office is 37 Carr Lane, Hull, East Yorkshire, HU1 3RE.

The principal activities of the Group are providing internet, voice and network infrastructure services to both wholesale and retail customers across Hull, East Yorkshire and North Lincolnshire.

2 Material accounting policy information

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated and parent company financial statements have been prepared in accordance with the requirements of the Companies Act 2006 as applicable to companies using UK-adopted International Accounting Standards. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit and loss. The financial statements have been prepared on a going concern basis.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

The financial statements are prepared in Pound Sterling (£), which is the functional and presentation currency of the Company and all amounts in these financial statements are rounded to the nearest thousand (£000) except when otherwise stated.

2.2 Going concern

During 2025, the KCOM Group commenced negotiations with its lenders and shareholders to restructure its current capital structure, in order that the Company's capital structure is sustainable and allows the Company to continue as a best-in-class provider of connectivity services to its customers and to meet its obligations as they become due. An agreement has been reached in February 2026, to capitalise interest and reset covenants. The amended facility continues to mature in September 2027.

In parallel with the amended facility, the Company has entered into an agreement (the Agreement) with its lenders and shareholder. The Agreement may result in a sale, a sale of assets or a reorganisation. The directors cannot reasonably assess the outcome of the Agreement, which is expected to conclude within the going concern assessment period.

Notwithstanding the outcomes under the Agreement, the directors have assessed cash flow forecasts for the period up to and including 31 March 2027, and full compliance with covenant requirements under the amended facility throughout going concern period is expected. Additionally, the directors have sensitised the forecasts for the Group to reflect a plausible downside scenario and assessed the plausibility of a reverse stress test for significant changes in customer cease rates and prices charged to customers. In both the base case and downside scenarios the forecasts show that the Group will have sufficient liquidity to enable it to meet its obligations as they fall due and will comply with all covenants up to and including 31 March 2027 and that implausible changes were required under the reverse stress test.

Under the Agreement, all outcomes cannot be fully assessed at the date of the approval of these financial statements, and as such represent events or conditions which indicate a material uncertainty that may cast significant doubt on the Group's and parent company's ability to continue as a going concern.

2 Material accounting policy information (continued)

2.2 Going concern (continued)

After making enquiries and taking into account the material uncertainty referred to above, the directors have a reasonable expectation that the Group and parent company has adequate resources to continue in operational existence for the foreseeable future. The Group and parent company therefore continues to adopt the going concern basis in preparing its financial statements.

2.3 Adoption of new and revised standards

The Group has adopted the following new standards, amendments and interpretations now applicable. None of these standards and interpretations have had any new material effect on the Group's results or net assets.

- Amendments to IAS 1 Presentation of Financial Statements – Classification of Liabilities as Current or Non-current, effective 1 January 2024.
- Amendments to IFRS 16: Lease Liability in a Sale and Leaseback.
- Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7.

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's its subsidiaries ("the Group") are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IAS 21 Lack of exchangeability (effective from 1 January 2025).
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7.
- Amendments to IFRS 18 Presentation and Disclosure in Financial Statements (effective from 1 January 2027).
- Amendments to IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective from 1 January 2027).

These standards are not expected to have a material impact on the Group in the current or future reporting periods or on foreseeable future transactions.

2.4 Basis of consolidation

Subsidiaries are entities controlled by the Company. Control exists when the Company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The consolidated financial statements include the financial statements of the Company and its undertakings made up to 31 March 2025.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

2 Material accounting policy information (continued)

2.4 Basis of consolidation (continued)

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's share of its associates' profits or losses is recognised in the income statement. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Partnerships are controlled when the Group has the power, directly or indirectly, to govern the financial and operating policies of the partnership so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The consolidated financial statements include the financial statements of the KCOM Central Asset Reserve Limited Partnership and its undertakings made up to 31 March 2025. The results of new partnership undertakings are included from the dates of acquisition using the purchase method of consolidation. Where a company has ceased to be a partnership undertaking during the year, its results are included to the date of cessation.

2.5 Revenue recognition

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

Standalone service offerings

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

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

In some hosting arrangements the Group acts solely as an agent, enabling the supply of third-party hosting services to the customer, and not as a principal in the supply of the service. In these circumstances, revenue is recognised net of amounts transferred to the third party.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

2 Material accounting policy information (continued)

2.5 Revenue recognition (continued)

Standalone product sales

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

Bundled equipment and service offerings

The Group often enters into contracts with customers which comprise equipment (e.g. a router) and services (e.g. an internet access contract). Equipment is retained as property, plant and equipment of the Group.

Contract modifications

Contracts with customers generally do not include a right of modification, as the price invoiced for goods and services purchased by the customer beyond the specific scope of the contract generally reflect their standalone selling prices. We therefore have no significant impact related to contract modifications as these are generally accounted for as a separate contract.

2.6 Exceptional items

Exceptional items are defined as items of income and expenditure which are material and unusual in nature and which are considered to be of such significance that they require separate disclosure in the operating expenses note. Any future movements on items previously classified as exceptional will also be classified as exceptional.

Restructuring and transformational costs are considered on a case-by-case basis as to whether they meet the exceptional criteria. Other items are considered against the exceptional criteria based on the specific circumstances. The presentation is consistent with the way financial performance is measured by management and reported to the Board.

2.7 Finance income

Finance income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

2.8 Finance cost

Finance costs including direct issue costs are accounted for in the income statement on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

2 Material accounting policy information (continued)

2.9 Intangible assets

Development costs

An internally generated intangible asset arising from the Group's internal development activities is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally generated intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses and are amortised on a straight-line basis over their estimated useful lives. Amortisation is recognised within operating expenses in the income statement. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred. Research costs are expensed to the income statement as and when they are incurred.

Customer and supplier relationships

Contractual customer and supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer and supplier relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the relationship. The remaining amortisation period is 16.2 years.

Technology and brand

Technology and brand acquired through business combinations are recorded at fair value at the date of acquisition. Assumptions are used in estimating the fair values of acquired intangible assets and include management's estimates of revenue and profits to be generated by the acquired businesses. These intangible assets are amortised on a straight-line basis over their useful lives. The remaining amortisation period is 5.3 years.

Software

Software comprises computer software purchased from third-parties and also the cost of internally developed software. Computer software purchased from third-parties and internally developed software is initially recorded at cost.

Software development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the criteria detailed above are met. These intangible assets are amortised on a straight-line basis over their useful lives.

Software (continued)

Other software development expenditures that do not meet these criteria are recognised as an expense as incurred. Software development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

2 Material accounting policy information (continued)

2.9 Intangible assets (continued)

Assets under construction (AUC)

AUC relates to costs incurred in the construction of an intangible asset. Once the asset is available for use it is transferred to the appropriate asset class and amortisation commences.

Amortisation

Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful life of each intangible asset. Intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Customer and supplier relationships	up to 20 years
Technology	up to 10 years
Software	up to 10 years
Development costs	up to 3 years

2.10 Property, plant, and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and any provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Network infrastructure and related equipment (included within exchange equipment and external plant) is recorded at cost directly attributable to the cost of the network construction. Depreciation is provided so as to write off the cost of assets to residual values on a straight-line basis over the assets' useful estimated lives as follows:

Freehold buildings	40 years
Leasehold buildings and improvements	period of lease
Exchange equipment	1 to 20 years
External plant	10 to 40 years
Vehicles, other apparatus and equipment	1 to 10 years

Freehold land is not depreciated.

Exchange equipment includes assets and equipment which relate to the network. External plant relates to assets which connect the network to our customers.

Similar to AUC in Intangible Assets detailed above, AUC relates to costs incurred during the construction of an item of property, plant and equipment. Once the asset is available for use it is transferred to the appropriate asset class and depreciation commences.

The residual value, if not insignificant, is reassessed annually. Depreciation of network infrastructure and related equipment is provided for from the date the network comes into operation.

2 Material accounting policy information (continued)

2.11 Investments in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment. They are reviewed at each reporting date for reversal of the impairment. Impairment indicator assessments are undertaken annually at the financial year end.

2.12 Impairment of non-financial asset

Assets that have an indefinite useful life – for example, goodwill – are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Recoverable amount is the higher of fair value less selling costs and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash generating units (CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to CGUs and then to reduce the carrying amount of other assets in the CGU on a pro-rata basis.

2.13 Contract costs

Contract costs are comprised of costs of obtaining a contract and costs to fulfil a contract:

The internal sales team earn commission when a new contract is signed based predominantly on tiered target commission schemes. Since these costs are incremental and would not have been paid in the absence of a contract, the commission costs attributable to each contract are estimated and capitalised on the statement of financial position. These costs are released to the income statement on a time-apportioned basis over the enforceable term of the relevant contract.

The Group has chosen to recognise the cost of obtaining a contract as an expense when incurred if the enforceable term of the contract, and hence the amortisation period of the asset if it was to be recognised, does not exceed a year.

Pre-contract costs, such as bid costs on key contract wins, are generally expensed as incurred as they would have been paid even if the contract was not obtained.

Unanticipated costs that are incurred from the use of excessive resources are expensed as incurred.

Contract costs are subject to impairment testing if the facts and circumstances of the contract change during the term. The amortisation of contract costs is included as an operating expense.

2 Material accounting policy information (continued)

2.14 Inventories

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

2.15 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at fair value/ at the amount of consideration that is unconditional. We do not have any material significant financing components. The Group holds trade receivables with the objective of collecting the contractual cash flows, and so it measures them subsequently at amortised cost using the effective interest method.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is “credit-impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Loss allowances are deducted from the gross carrying amount of the assets.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the debtor;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- a breach of contract such as default or delinquency in payments.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

The gross carrying amount of a financial asset is written off against the provision when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, this is done on a case-by-case basis. The Company expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities to comply with the Company’s procedures for recovery of amounts due. Any subsequent recoveries of amounts previously written off are credited against operating expenses in the Income statement.

2.16 Contract assets

The timing of revenue recognition from contracts may differ from customer invoicing.

Trade receivables presented on the statement of financial position represent an unconditional right to receive consideration, i.e. the services and goods promised to the customer have been transferred and only the passage of time is required before payment of that consideration is due.

Contract assets represent the right to receive consideration for goods and services transferred to date, but in contrast to trade receivables, these are conditional on providing further services or goods under the same contract. Contract assets, like trade receivables, are subject to impairment for credit risk.

2 Material accounting policy information (continued)

2.17 Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term deposits and other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. See Note 26 for details of the restricted cash held which is not available to the Group for general use.

2.18 Trade payables

Trade payables are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

2.19 Contract liabilities

Contract liabilities represent amounts paid by customers in advance of receiving the goods and/or services promised in the contract and lease payments received under operating leases released as other income on a straight-line basis over the lease term.

2.20 Taxation

The tax expense represents the sum of the current tax and deferred tax expense.

The current tax is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and/or items that are never taxable or deductible. The Group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the statement of financial position liability method. Deferred tax liabilities are recognised generally for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced or increased to the extent that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items recognised in other comprehensive income or directly to equity. In this case the deferred tax is also recognised in other comprehensive income or directly in equity, respectively.

Prior year adjustments to current and deferred taxes are recognised if the estimated tax position differs from the final tax position subsequently agreed with the taxation authority.

Adjustments to tax relating to previous accounting periods are adjusted as soon as the Company identifies them.

2 Material accounting policy information (continued)

2.21 Foreign currency translation

These financial statements are presented in Pounds Sterling which is the currency of the primary economic environment in which the Group operates.

Transactions in foreign currencies are recorded at the rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated using the exchange rate at the statement of financial position date.

2.22 Leasing

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group leases various office and network properties, data centre space, fibres and cables, vehicles and office equipment.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts typically have lease terms ranging from 12 months for assets such as fibres and cables up to 25 years for some network properties.

At lease commencement, to determine the lease term, the Group assesses whether, or not, it is reasonably certain to exercise any extension or termination options in the contract. The assessment of reasonably certain is only revised if a significant event or a significant change in circumstances occurs in relation to the lease, which is within the control of the lessee. The Group will also revise the lease term if there is a change in the non-cancellable period of a lease, for example the Group exercises an option not previously included in the determination of the lease term.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- penalty payments for terminating the lease, if the lease term reflects the Group exercising that option; and
- lease payments to be made in an extension period, if the Group is reasonably certain to exercise the extension option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

2 Material accounting policy information (continued)

2.22 Leasing (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

The Group has elected not to recognise right-of-use asset and lease liabilities for short-term leases or low-value asset leases. Short-term leases are leases with a lease term of 12 months or less and typically include leases which are in rolling where both parties have a right to terminate within 12 months. Low-value assets comprise IT equipment and small items of office furniture which have an underlying asset value below the value set out by IFRS 16. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the income statement.

Lessor accounting – sub-leases

When we act as a lessor, we determine at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, we make an overall assessment of whether the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, we consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

When we are an intermediate lessor, we account for our interests in the headlease and the sublease separately. We assess the lease classification of a sublease with reference to the right of use asset arising from the headlease, not with reference to the underlying asset. If a headlease is a short-term lease to which we apply the exemption described above, then we classify the sublease as an operating lease.

If an arrangement contains lease and non-lease components, then we apply IFRS15 to allocate the consideration in the contract.

We apply the derecognition and impairment requirements in IFRS 9 to the net investment in the lease. We further regularly review estimated unguaranteed residual values used in calculating the gross investment in the lease.

We recognise lease payments received under operating leases as income on a straight-line basis over the lease term as other income in the income statement.

2 Material accounting policy information (continued)

2.23 Bank borrowings and issue costs

Bank borrowings are stated at the amount of proceeds after deduction of issue costs, which are amortised over the period of the loan. Any issue costs remaining on settlement of bank borrowings will be repaid at the date of repayment. Finance charges, including direct issue costs are accounted for in the income statement on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Borrowings are carried subsequently at amortised cost and any differences between the proceeds (net of transaction costs) and the redemption value are recognised in the income statement over the period of the borrowings using the effective interest method.

2.24 Financial instruments and hedge accounting

Financial assets and liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. The Company uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financing and investment activities. In accordance with its Treasury Policy, the Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are initially and subsequently recognised at fair value. Any gain or loss on remeasurement to fair value is recognised immediately in the income statement. However, where derivatives qualify for hedge accounting, recognition of the resultant gain or loss depends on the nature of the item being hedged.

The fair value of the interest rate swaps is the estimated amount that the Company would receive or pay to terminate the swap at the statement of financial position date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of forward exchange contracts is their quoted market price at the statement of financial position, being the present value of the quoted forward price.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in other comprehensive income and the ineffective portion is recognised immediately in the income statement. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or liability, then, at the time the asset or liability is recognised, the associated gains or losses on the derivative that had previously been recognised in other comprehensive income are included in the initial measurement of the asset or liability. For hedges that do not result in recognition of an asset or a liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement in the period.

2.25 Pensions

Defined contribution

Obligations for contributions to the defined contribution (money purchase) scheme are charged to the income statement in the period they fall due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

2 Material accounting policy information (continued)

2.25 Pensions (continued)

Defined benefit

For defined benefit retirement schemes, the cost of providing benefits is determined using a building block approach, with IAS 19 actuarial valuations being carried out at each statement of financial position date. Remeasurements are recognised in full in the period in which they occur and are recognised in equity and presented in the Consolidated statement of comprehensive income.

The current and past service costs of the scheme (the increase in the present value of employees' future benefits attributable to the current or prior periods) are charged to the income statement in the period. The cost or benefit of committed settlements and curtailments is recognised immediately in the income statement. The interest cost of the scheme is recognised in the income statement in the period to which it relates.

The retirement benefit obligation recognised on the statement of financial position represents the present value of the defined benefit obligation as reduced by the fair value of scheme assets. Should an IAS 19 actuarial valuation result in a net asset position then the amount recognised will be limited to the recoverable amount. The recoverable amount shall be determined with reference to the agreements made between the Group and the Trustees within the pension scheme rules and considered against the requirements of IFRIC 14.

2.26 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.27 Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or, in the case of interim dividends, paid.

Dividend income is recognised when the right to receive payment is established.

2.28 Provisions

A provision is recognised in the statement of financial position when the Group has a present, legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Certain provisions are treated as exceptional items, in line with the treatment set out in our exceptional items accounting policy.

Provisions for onerous contracts are recognised should the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The estimated onerous element of the contract is recognised in full in the period in which the contract is identified as onerous. The assessment of whether a multi-element customer contract is onerous is undertaken separately for the installation and in-life phases should the revenues for that contract also be recognised on that basis.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

3 Critical accounting judgements and key sources of uncertainty

The table below shows the judgements which have the most significant effect on amounts that are recognised in the financial statements, and the assumptions and estimates at the end of the current reporting year that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Area	Critical accounting estimates and judgements	Key sources of estimation uncertainty
Post-employment benefits		
The Group operates two defined benefit schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 “Employee benefits (revised)”. As detailed within the accounting policies note, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated statement of comprehensive income.	**Estimate**- Accounting for defined benefit pension schemes requires estimates over areas such as setting appropriate criteria to derive assumptions such as discount rates.	Several estimates contribute to the year-end valuation including discount rates, inflation and rate of increase to pensions in payment. Changes to these estimates could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Sensitivity analysis is provided in Note 28.
Valuation of investments in subsidiary undertakings (parent company)		
The carrying value of investments held in subsidiary undertakings has to be assessed for impairment at the statement of financial position date where there is an indicator of impairment. Consistent with goodwill, the impairment assessment is based on the value in use, which is derived from a discounted cash flow model and/or the recoverable amount. An impairment assessment is carried out when there is an indicator of impairment. The value in use is calculated using the present value of future cash flows expected to arise from the subsidiaries, by applying an appropriate discount rate to the timing and amount of cash flows.	**Estimate**- The directors apply estimates in determining the appropriate discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investments. **Judgement**- The directors apply judgement in determining the budgeted cash flows and a long-term, terminal growth rate. The directors also apply judgement in the consideration of alternative valuation methodologies, namely, fair value less cost to sell.	In order to calculate the value in use, the directors are required to apply judgement in determining the amount and timing of cash flows applicable to the subsidiaries to which the investments relate. These are based on current budgets and forecasts and extrapolated for an appropriate period taking into account growth rate and expected changes to selling prices and operating costs. See Note 14 for detailed disclosure of the assumptions used in the valuation of investments.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

4 Revenue

The Group derives revenue from providing communication and internet-based services to consumer and business customers within Hull, East Yorkshire and the surrounding areas.

Consolidated	2025 £'000	2024 £'000
Consumer	66,730	69,325
Business	20,803	22,197
Wholesale	8,677	10,367
Total	96,210	101,889

No material revenue, operating profit or net operating assets arises outside the United Kingdom.

5 Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting):

Consolidated	Note	2025 £'000	2024 £'000
Staff costs	8	37,868	38,354
Own work capitalised	8	(10,828)	(12,723)
Other external charges		28,205	31,726
Auditors' remuneration	6	332	709
Amortisation of intangible assets	11	6,635	11,381
Impairment of intangible assets	7	2,361	-
Impairment of property, plant and equipment	7	32,547	-
Impairment of right-of-use assets	7	485	-
Depreciation of right-of-use assets	13	523	564
Depreciation of property, plant and equipment	12	18,801	21,301
Impairment loss on trade receivables and contract assets	17	500	466
Loss/(profit) on disposal of right-of-use asset	13	121	(2)
Lease expenses for low value assets and short-term leases	13	374	1,283
Profit on disposal of other intangible assets	11	(5,023)	(1,538)
Loss on disposal of property, plant and equipment	12	231	251

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

5 Operating (loss)/profit (continued)

Reconciliation of EBITDA to operating (loss)/profit:

Consolidated	Note	2025 £'000	2024 £'000
Operating (loss)/profit analysed as:			
EBITDA before exceptional items		39,913	42,397
Exceptional items	7	(40,334)	(3,265)
Amortisation of intangible assets	11	(6,635)	(11,381)
Depreciation of right-of-use assets	13	(523)	(564)
Depreciation of property, plant and equipment	12	(18,801)	(21,301)
(Loss)/profit on disposal of right-of-use asset	13	(121)	2
Profit on disposal of other intangible assets	11	5,023	1,538
Loss on disposal of property, plant and equipment	12	(231)	(251)
Total		(21,709)	7,175

6 Auditors' remuneration

During the year, the Group obtained the following services from the Company's auditors:

Consolidated	2025 £'000	2024 £'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements and the consolidated financial statements***	90	36
Fees payable to the Company's auditors for the audit of the subsidiary annual financial statements and the consolidated financial statements	190	-
Fees payable to the Company's auditors and their associates for other services:		
– the audit of the Company's subsidiaries	-	600
– audit-related assurance services*	52	59
– other non-audit services**	-	14
Total	332	709

*Relates to regulatory audit provided by Grant Thornton UK LLP (2024: PricewaterhouseCoopers LLP).
**Loan reporting assurance provided by Grant Thornton UK LLP (2024: PricewaterhouseCoopers LLP).
***The audit fee for the consolidated financial statements is paid by the subsidiary KCOM Holdings Limited.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

7 Exceptional items

Consolidated	2025 £'000	2024 £'000
Restructuring costs	3,912	3,265
Impairment of intangible assets	2,361	-
Impairment of property, plant and equipment	32,547	-
Impairment of right-of use assets	485	-
Impairment loss on amounts owed by group companies	1,029	-
Total	40,334	3,265

During the year, exceptional restructuring costs of £3,912,000 were incurred (2024: £3,265,000). The restructuring costs comprise of consultancy costs incurred of £2,887,000 (2024: £1,338,000) and restructuring costs relating to employees incurred of £1,025,000 (2024: £1,928,000).

The results of the impairment test on investments and for parent company KCOM HoldCo 1 Limited resulted in an impairment indicator for the KCOM Group Limited consolidated assets, and an impairment review was carried out. This resulted in an impairment charge on intangible assets (£2,361,000) (note 11), property, plant and equipment (£32,547,000) (note 12), and right-of-use assets (£485,000) (note 13).

An impairment loss of £1,029,000 was recognised for credit impaired intercompany receivables.

8 Employees and remuneration

The average monthly numbers (including Executive Directors) employed by the Group during the year were as follows:

Consolidated	2025 Number	2024 Number
Consumer, Business and Wholesale	221	258
Central	476	507
Total	697	765

Disclosed within the Central segment are employees who work in central functions (e.g., technology, finance, legal, risk, etc).

The costs incurred in respect of these employees were:

Consolidated	2025 £'000	2024 £'000
Wages and salaries	31,901	32,436
Social security costs	3,028	3,080
Other pension costs	2,939	2,838
Total	37,868	38,354
Less: own work capitalised	(10,828)	(12,723)
Charged to the income statement	27,040	25,631

All of the Group's employees were employed by KCOM Group Limited during the year ended 31 March 2025. No employee costs are borne by the parent company.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

8 Employees and remuneration (continued)

With the exception of administrative expenses and interest costs, the expenses relating to the defined benefit pension schemes are recognised within other comprehensive income, see note 28 for further details.

Remuneration of Directors

Consolidated	2025 £'000	2024 £'000
Remuneration	781	828
Aggregate amounts receivable under long term incentive plans	-	138
Company contributions paid to defined contribution pension schemes	37	35
	818	1,001

Consolidated	2025 Number	2024 Number
Members of defined contribution pension schemes	1	1

The amounts in respect of the highest paid director are as follows:

Consolidated	2025 £'000	2024 £'000
Remuneration	499	621
Aggregate amounts receivable under long term incentive plans	-	138
Company contributions paid to defined contribution pension schemes	37	35
	536	794

Remuneration of Key Management Personnel

Consolidated	2025 £'000	2024 £'000
Remuneration	876	955
Aggregate amounts receivable under long term incentive plans	87	138
Company contributions paid to defined contribution pension schemes	84	80
Compensation for loss of office	132	155
	1,179	1,328

Consolidated	2025 Number	2024 Number
Members of defined contribution pension schemes	3	2

Key management personnel are individuals who have the authority and responsibility for planning, directing, and controlling the activities of the group including directors but excluding non-executive directors.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

9 Finance income and costs

Consolidated	Note	2025 £'000	2024 £'000
Finance income			
Retirement benefit obligations	28	222	415
Interest received on finance sub-leases	22	64	568
Total finance income		286	983
Finance costs			
Bank borrowings, overdrafts and other loans		193	17
Interest charged on loans from related parties	19	9,334	9,158
Interest on lease liabilities	21	239	604
Total finance costs		9,766	9,779
Net finance costs		9,480	8,796

10 Taxation

Analysis of tax credit in the year

The credit based on the loss for the year comprises:

	Note	2025 £'000	2024 £'000
UK corporation tax:			
– current tax on loss for the year		-	-
– adjustment in respect of prior years		(685)	421
Total current tax		(685)	421
UK deferred tax:			
Origination and reversal of temporary differences in respect of			
– loss for the year		(6,663)	(2,942)
– adjustment in respect of prior years		503	(392)
– charge in respect of retirement benefit obligation		637	1,455
Total deferred tax	24	(5,523)	(1,879)
Total tax credit for the year		(6,208)	(1,458)

10 Taxation (continued)

Factors affecting tax credit for the year

	2025 £'000	2024 £'000
Loss before tax	(31,225)	(1,621)
Loss at the standard rate of corporation tax in the UK of 25% (2024: 25%)	(7,806)	(405)
Effects of:		
– deferred tax not recognised	1,272	-
– expenses not deductible for tax purposes	157	(1,082)
– adjustment is respect of prior years	(182)	29
– group relief/other relief	251	-
– amounts not recognised	100	-
Total tax credit for the year	(6,208)	(1,458)

Factors affecting the current and future tax charges

Pillar Two legislation has been enacted in the UK, the jurisdiction that the Group operates. The legislation was effective for the Group's financial year beginning 1 April 2023. The Group is in scope of the enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax provisioning and financial statements for the constituent entities in the Group.

The Group operates and pays income tax solely within the United Kingdom, the loss before tax for the year ended 31 March 2025 was £31,225,000 (2024: £1,621,000) and tax credit recognised in the income statement was £6,208,000 (2024: £1,500,000), giving an effective tax rate of 25% (2024: 73.3%). Based on this assessment, the Group does not expect a material exposure to Pillar Two income taxes for any of the entities within the Group. The Group has applied the mandatory temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules.

During the year, corporation tax has been calculated at tax of 25% (2024: 25%) of estimated assessable profits for the year.

11 Intangible assets

Consolidated	Development costs* £'000	Software £'000	Consumer and supplier relationships £'000	Technology & brand £'000	Assets Under construction £'000	Total £'000
Cost						
At 1 April 2023	8,305	46,709	49,257	6,294	7,879	118,444
Additions	4,683	1,408	-	-	-	6,091
Disposals	(6,933)	(24,753)	-	-	-	(31,686)
Transfers	19,156	(9,284)	-	-	(6,528)	3,344
At 31 March 2024	25,211	14,080	49,257	6,294	1,351	96,193
Additions	2,210	34	-	-	-	2,244
Disposals	(400)	(4,404)	-	-	-	(4,804)
Transfers	(3,795)	(44)	-	-	(1,351)	(5,190)
At 31 March 2025	23,226	9,666	49,257	6,294	-	88,443
Accumulated depreciation						
At 1 April 2023	5,757	32,014	49,257	6,294	-	93,322
Charge for the year	4,119	7,262	-	-	-	11,381
Elimination on disposals	(6,928)	(24,343)	-	-	-	(31,271)
Transfers	7,257	(7,257)	-	-	-	-
At 31 March 2024	10,205	7,676	49,257	6,294	-	73,432
Charge for the year	4,452	2,183	-	-	-	6,635
Elimination on disposals	(401)	(4,404)	-	-	-	(4,805)
Impairment charge	1,602	759	-	-	-	2,361
Transfers	57	(11)	-	-	-	46
At 31 March 2025	15,915	6,203	49,257	6,294	-	77,669
Net book value						
At 31 March 2025	7,311	3,462	-	-	-	10,773
At 31 March 2024	15,006	6,404	-	-	1,351	22,761

*Development costs are predominantly capitalised staff costs and third-party vendor costs associated with assets relating to new products and provision of services.

The transfers line includes £5,236,000 (2024: £3,344,000) transferred between intangible assets and property, plant, and equipment (see note 12).

Due to impairment indicators following impairment of parent company investments (see note 14) an impairment test was carried out over the assets of the Group.

Cash Generating Units (CGUs) represent the smallest identifiable groups of assets that generate cash inflows that are largely independent of the cash inflows from other groups of assets. As the cashflows of the group are dependent on each other, the directors assess that the Group level is the relevant level at which to assess Goodwill.

The recoverable amount of the CGU was determined based on value-in-use calculations which require the use of assumptions

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Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

11 Intangible assets (continued)

The calculations use cash flow projections based on financial budgets approved by the Board and internal management projections.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated below. These growth rates reflect the long-term growth rate prospects for the UK economy.

The following table sets out the key assumptions used in the value in use calculation:

Description	2025 %	2024 %
Discount rate (pre-tax)	9.2	7.9
Long-term growth rate (in perpetuity)	2.0	2.0
Compound average revenue (decrease)/increase to perpetuity year	(0.6)	4.0
Compound average cost (increase)/decrease to perpetuity year	(2.7)	3.8

The discount rate is a pre-tax measure based on 30-year UK Government bonds yield, reflecting a risk-free rate in the relevant market and in the same currency as the cash flows. This is adjusted for a market risk premium that represents the additional return that investors seek from an investment in a diversified portfolio of securities, as compared to a risk-free investment. Comparable company analysis is used to derive optimal levels of market gearing, and a size premium is applied.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience and the directors' anticipation of future growth. The cash flow forecast was prepared by using the latest Board approved operating budget.

Annual capital expenditure is included based on approved budgeted numbers and reflects the costs expected to maintain the existing infrastructure.

The long-term growth rate is the rate used to extrapolate cash flows beyond the budget period.

The results of the calculation of the impairment test result in an impairment of intangible assets £2,361,000 (see note 11), property, plant and equipment £32,547,000 (see note 12), and right-of-use assets £485,000 (see note 13). As the carrying value of intangible assets (note 11) and property, plant and equipment (note 12) exceeded the discounted cashflows on the value in use of these assets. The whole amount was recognised as exceptional item in profit or loss.

As a result of the impairment test result, the carrying value of intangible assets and property, plant and equipment (note 12), and right-of-use assets (note 13) adjusting for working capital, exceeded the discounted cashflows on the value in use of these assets. An impairment was allocated to development costs £1,602,000 and software £759,000.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

12 Property, plant and equipment

Consolidated	Land and building £'000	Exchange equipment £'000	External plant £'000	Vehicles, other apparatus and equipment £'000	Assets under construction £'000	Total £'000
Cost or Fair Value						
At 1 April 2023	13,387	86,268	244,122	30,756	22,290	396,823
Additions	-	1,041	18,734	3,517	6,323	29,615
Disposals	2	(1,313)	(3,042)	(1,223)	(126)	(5,702)
Transfers	-	492	15,626	2,414	(21,876)	(3,344)
At 31 March 2024	13,389	86,488	275,440	35,464	6,611	417,392
Additions	-	28	17,419	251	1,769	19,467
Disposals	-	(3,309)	(1,817)	(1,953)	-	(7,079)
Transfers	-	25	9,917	(24)	(4,728)	5,190
At 31 March 2025	13,389	83,232	300,959	33,738	3,652	434,970
Accumulated depreciation						
At 1 April 2023	11,679	77,124	115,853	16,489	-	221,145
Charge for the year	220	2,551	13,973	4,557	-	21,301
Elimination on disposals	2	(1,312)	(2,938)	(1,295)	-	(5,543)
At 31 March 2024	11,901	78,363	126,888	19,751	-	236,903
Charge for the year	65	2,006	12,673	4,057	-	18,801
Elimination on disposals	-	(3,309)	(1,817)	(1,723)	-	(6,849)
Impairment charge	-	1,174	29,275	2,098	-	32,547
Transfers	-	(362)	335	(19)	-	(46)
At 31 March 2025	11,966	77,872	167,354	24,164	-	281,356
Net book value						
At 31 March 2025	1,423	5,360	133,605	9,574	3,652	153,614
At 31 March 2024	1,488	8,125	148,552	15,712	6,611	180,488

The transfers line includes £5,236,000 (2024: £3,344,000) transferred between intangible assets and property, plant, and equipment (see note 11).

The net book value of assets leased under operating leases, included in 'vehicles, other apparatus and equipment' is £5,236,000 (2024: £4,568,000).

As a result of the impairment test described in note 11, the carrying value of intangible assets (note 11) property, plant and equipment and right-of-use assets (note 13) adjusting for working capital, exceeded the discounted cashflows on the value in use of these assets. An impairment was allocated to exchange equipment £1,174,000, and external plant £29,275,000, and vehicles, other apparatus and equipment £2,097,000.

13 Right-of-use assets

Consolidated	Land and building £'000	External plant £'000	Vehicles, other apparatus and equipment £'000	Total £'000
Carrying amount				
At 1 April 2023	2,152	2,267	1,762	6,181
Modifications	-	48	-	48
Disposals	-	(216)	(629)	(845)
At 31 March 2024	2,152	2,099	1,133	5,384
Additions	-	-	2,394	2,394
Disposals	(2,037)	(1,367)	-	(3,404)
At 31 March 2025	115	732	3,527	4,374
Accumulated depreciation				
At 1 April 2023	2,106	1,473	1,003	4,582
Charge for the year	20	313	231	564
Elimination on disposals	-	(190)	(531)	(721)
At 31 March 2024	2,126	1,596	703	4,425
Charge for the year	20	135	368	523
Elimination on disposals	(2,038)	(1,245)	-	(3,283)
Impairment charge	-	-	485	485
At 31 March 2025	108	486	1,556	2,150
Net book value				
At 31 March 2025	7	246	1,971	2,224
At 31 March 2024	26	503	430	959

The Group leases various offices, exchange sites, fibre lines and vehicles. Rental contracts are typically made for fixed periods but may have extension options or break clauses.

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

As a result of the impairment test described in note 11, the carrying value of intangible assets (note 11) property, plant and equipment and right-of-use assets (note 13) adjusting for working capital, exceeded the discounted cashflows on the value in use of these assets. An impairment was allocated to vehicles, other apparatus and equipment £485,000.

In accordance with the Group's accounting policy, short-term leases and low-value asset leases have not been recognised as right-of-use assets. The expense recognised in relation to these assets during the year for continuing operations is as follows:

Consolidated	2025 £'000	2024 £'000
Short-term leases	374	1,283

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

14 Investments

Consolidated	Shares in joint venture £'000
Cost	
At 1 April 2023	46
Share of net result for the year	(11)
At 31 March 2024	35
Share of net result for the year	(35)
At 31 March 2025	-
Amounts written off	
31 March 2024 and 31 March 2025	-
Net book value	
At 31 March 2025	-
At 31 March 2024	35
At 31 March 2023	46

Parent company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2023, 31 March 2024 and 31 March 2025	494,511
Amounts written off	
At 1 April 2023, 31 March 2024	(50)
Impairment	(468,732)
At 31 March 2025	(468,782)
Net book value	
At 31 March 2025	25,729
At 1 April 2023, 31 March 2024	494,461

Subsidiary undertakings and joint venture (as at 31 March 2025)

Name of company	Place of registration	Holding	Proportion held	Nature of business
KCH (Holdings) Limited*	England and Wales**	Ordinary shares	100%	Intermediate holding company
Smart 421 Technology Group Limited*	England and Wales**	Ordinary shares	100%	Dormant holding company
Kingston Network Holdings Limited*	England and Wales**	Ordinary shares	100%	Dissolved May 2024
Kingston Service Holdings Limited*	England and Wales**	Ordinary shares	100%	Dormant holding company

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

14 Investments (continued)

Name of company	Place of registration	Holding	Proportion held	Nature of business
KCOM International Limited*	England and Wales**	Ordinary shares	100%	Dissolved October 2024
KCOM (General Partner) Limited*	Scotland***	Ordinary shares	100%	Intermediate holding company
KCOM Central Asset Reserve Limited Partnership*	Scotland***	Ordinary shares	100%	Partnership
KCOM Contact Centres Limited*	England and Wales**	Ordinary shares	100%	Provision of call centre facilities (Dormant from 1 April 2025)
Kingston Communications (Data) Trustees Limited*	England and Wales**	Ordinary shares	100%	Dormant
Kingston Communications (Hull) Trustees Limited*	England and Wales**	Ordinary shares	100%	Dormant
Affiniti Integrated Solutions Limited*	England and Wales**	Ordinary shares	100%	Dormant
KCOM Holdings Limited*	England and Wales**	Ordinary shares	100%	Design and delivery of communication and integration services
Eclipse Networking Limited*	England and Wales**	Ordinary shares	100%	Dissolved May 2024
Omnetica Investment Limited*	England and Wales**	Ordinary shares	100%	Dormant holding company
Omnetica Inc*	USA****	Ordinary shares	100%	Dissolved March 2025
Smart421 Limited*	England and Wales**	Ordinary shares	100%	Dissolved June 2025
Smart421 Solutions Inc*	USA*****	Ordinary shares	100%	Dissolved April 2025
Smartintegrator Technology Limited*	England and Wales******	Ordinary shares	50%	Dissolved June 2024

* Indicates indirect shareholding.
** 37 Carr Lane, Hull, East Yorkshire, HU1 3RE.
*** 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ.
**** 200 Knickerbocker Avenue, Bohemia, New York, 11716, USA.
***** 9 East Loockerman Street, Dover, Delaware, 19901, USA.
****** 1 Bridgewater Place, Water Lane, Leeds, West Yorkshire, LS11 5QR.

14 Investments (continued)

Impairment – parent company

The carrying value of investments held in subsidiary undertakings has to be assessed for impairment at the statement of financial position date where there is an indicator of impairment. The directors consider that the fall in revenue in the year due to competition impacts constitutes an indicator of impairment.

The value in use is calculated using the present value of future cash flows expected to arise from the subsidiaries, by applying an appropriate discount rate to the timing and amount of cash flows resulting from forecast dividend flows from subsidiary investments.

The calculations use cash flow projections based on financial budgets approved by the Board and internal management projections.

Cash flows beyond the 5-year period are extrapolated using the estimated growth rates stated below. These growth rates reflect the long-term growth rate prospects for the UK economy.

The following table sets out the key assumptions used in the value in use calculation:

Description	2025 %	2024 %
Discount rate (post-tax)	7.7	7.9
Long-term growth rate (in perpetuity)	2.0	2.0
Compound average revenue (increase)/decrease to perpetuity year	(0.6)	4.0
Compound average cost (increase)/decrease to perpetuity year	(2.7)	3.8

The discount rate is a post-tax measure based on 30-year UK Government bonds yield, reflecting a risk-free rate in the relevant market and in the same currency as the cash flows. This is adjusted for a market risk premium that represents the additional return that investors seek from an investment in a diversified portfolio of securities, as compared to a risk-free investment. Comparable company analysis is used to derive optimal levels of market gearing, and a size premium is applied.

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience and the directors' anticipation of future growth. The cash flow forecast was prepared by using the latest Board approved operating budget.

Annual capital expenditure is included based on approved budgeted numbers and reflects the costs expected to maintain the existing infrastructure.

The long-term growth rate is the rate used to extrapolate cash flows beyond the budget period.

As the carrying value of the investment in subsidiaries exceed the discounted cashflows an impairment is recognised in the profit and loss account of KCOM Group Limited.

The directors have assessed reasonably plausible changes for key assumptions and key estimates with the below sensitivity to plausible changes.

	Increase in assumption	**Decrease in assumption**
Sensitivity to 1% change to:		
Discount rate (post-tax)	**(30,471)**	**43,607**
Long term growth (in perpetuity)	**34,352**	**(24,407)**
Sensitivity to £1,000,000 in perpetuity cashflow	**12,656**	**(12,656)**

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

15 Contract costs

Consolidated	2025 £'000	2024 £'000
Contract costs current	614	535

Consolidated	2025 £'000	2024 £'000
Contract costs non-current	315	310

The costs of obtaining a contract are comprised of sales commissions paid to employees. The costs of fulfilling a contract relate primarily to set-up activities that are not deemed to represent a performance obligation or in circumstances where it has been determined that there is no enforceable right to payment during the project phase and thus revenue cannot be recognised until project completion. The asset is amortised on a straight-line basis over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue. During the year, capitalised contract costs of £535,000 (2024: £398,000) relating to continuing operations were amortised and included in operating expenses.

16 Inventories

Consolidated	2025 £'000	2024 £'000
Raw materials and consumables	3,419	4,173

There is no material difference between the carrying value and the replacement cost of inventories.

Write-downs of inventories due to slow moving items to net realisable value amounted to £111,000 (2024: £16,000). These were recognised as an expense during the year and were included in 'operating expenses' in the consolidated income statement.

17 Trade and other receivables

	Consolidated		Parent company	
Current	**2025 £'000**	**2024 £'000**	**2025 £'000**	**2024 £'000**
Trade receivables (net)	5,041	5,314	-	-
Prepayments	3,822	4,941	-	-
Amounts owed by related parties	6,646	-	-	-
Other receivables	200	341	-	-
Unbilled receivables (net)	282	345	-	-
Total	15,991	10,941	-	-
Non-current				
Amounts due from intermediate parent companies	-	725	-	-
Total	-	725	-	-

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

17 Trade and other receivables (continued)

The majority of the Group's trade and other receivables are denominated in Sterling.

All of the Group's receivables are due within one year in the year ended 31 March 2025. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £374,000 (2024: £274,000). Note 26 provides further disclosures regarding the allowance for irrecoverable amounts and the credit risk of the Group's trade receivables.

Contract assets represent the right to consideration in exchange for goods or services that we have transferred to the customer. A contract asset becomes a receivable when our right to consideration is unconditional.

18 Trade and other payables

	Consolidated		**Parent company**	
	2025	**2024**	**2025**	**2024**
Current	**£'000**	**£'000**	**£'000**	**£'000**
Trade payables	4,660	7,968	-	-
Amounts owed to related parties	-	-	545	545
Accruals	3,434	8,794	-	-
Contract liabilities	4,863	6,660	-	-
Other taxes and social security costs	3,431	4,047	-	-
Other payables	1,445	1,017	-	-
	17,833	28,486	545	545

During the year, deferred revenue of £6,660,000 (2024: £6,424,000) has been recognised in relation to the contract liability at the beginning of the year which relates to continuing operations.

Included within contract liabilities is £nil (2024: £158,000) relating to rentals received from the lease of IP addresses. These are classified as an operating lease from a lessor perspective. Rental income of £158,000 (2024: £323,000) has been recognised by the Group in the year.

19 Loans from related parties

This section sets out an analysis of loans from related parties and the movements for each of the financial year presented.

	2025	**2024**
Consolidated	**£'000**	**£'000**
Non-current		
Beginning of year	164,000	165,500
Debt extinguished	(164,000)	-
Loans advanced	185,800	3,600
Interest charged	9,330	9,158
Loan repayment	(5,700)	(5,100)
Interest paid	(6,063)	(9,158)
Total	183,367	164,000

19 Loans from related parties (continued)

On 26 October 2020, KCOM Holdco 3 Limited entered into an Intercompany Loan Agreement with KCH (Holdings) Limited to provide a loan of up to £165,000,000 on an uncommitted basis for a period of five years from the date of the first advance, attracting interest at a fixed rate of 5.5%.

On 25 September 2024, a substantial modification was made to the loan agreement, resulting in an increase in the loan amount to £189,000,000. The agreement will continue on an uncommitted basis, but the term has been extended to seven years from the date of the first advance. During the year, £11,763,000 (2024: £14,258,000) of combined principal and interest was repaid on the loan.

Amounts payable by the Group to KCOM Holdco 3 Limited, the immediate parent undertaking as at 31 March 2025 totalled £183,367,000 (2024: £164,000,000).

20 Net Debt

This section sets out an analysis of net debt and the movements in net debt for the financial year presented.

Consolidated	Note	2025 £'000	2024 £'000
Cash and cash equivalents		19,444	9,275
Loans from related parties	19	(183,367)	(164,000)
Total net debt excluding lease liabilities		(163,923)	(154,725)
Lease liabilities	21	(3,912)	(3,615)
Total net debt		(167,835)	(158,340)

Net debt has been presented before and after the impact of lease liabilities from the application of the leasing accounting standard, IFRS 16.

		Liabilities from financing activities			
Consolidated	**Cash/bank overdraft £'000**	**Lease liabilities due within 1 year £'000**	**Lease liabilities due after 1 year £'000**	**Loans from related parties £'000**	**Total £'000**
Net debt at 1 April 2023	14,089	(4,662)	(6,725)	(165,500)	(162,798)
Cash flows	(4,814)	7,820	-	10,658	13,664
Other non-cash movements	-	(5,156)	5,108	(9,158)	(9,206)
Net debt at 31 March 2024	9,275	(1,998)	(1,617)	(164,000)	(158,340)
Cash flows	10,169	2,097	-	10,037	22,303
Other non-cash movements	-	(1,956)	(438)	(29,404)	(31,798)
Net debt at 31 March 2025	19,444	(1,857)	(2,055)	(183,367)	(167,835)

21 Lease liabilities

Consolidated	2025 £'000	2024 £'000
Lease liabilities:		
Minimum lease payments:		
– within 12 months	2,034	2,087
– in 1 to 5 years	1,952	1,651
Total undiscounted lease liability	3,986	3,738
Future finance charges	(74)	(123)
Present value of lease liabilities	3,912	3,615
The present value of lease liabilities is as follows:		
– within 12 months	1,857	1,998
– in 1 to 5 years	2,055	1,617
Total	3,912	3,615

An interest expense of £239,000 (2024: £604,000) was recognised in the year in relation to lease liabilities.

The total cash outflow for leases during the year was £2,396,000 (2024: £3,806,000) including £374,000 (2024: £1,283,000) relating to short-term and low-value asset leases which have not been included in the lease liability.

22 Lease receivables

Consolidated	2025 £'000	2024 £'000
Lease receivables:		
Undiscounted lease payments to be received:		
– within 12 months	1,105	1,447
– in 1 to 5 years	-	1,143
Total undiscounted lease receivable	1,105	2,590
Future finance income	(18)	(84)
Net investment in the lease	1,087	2,506
The present value of lease receivables is as follows		
– within 12 months	1,087	1,101
– in 1 to 5 years	-	1,405
Total	1,087	2,506

From the point of sale of the trade and the assets of the National ICT Business to Nasstar, the Group began to sub-lease a number of buildings, data centre space and leased lines to Nasstar and will continue to do so until the lease contracts legally novate, or the properties leases are reassigned. These leases were previously recognised as part of right-of-use assets and the Group recognised a gain/loss on derecognition of the right-of-use assets relating to these buildings and leased lines. The gain/loss is presented in Note 5 within loss/(profit) on disposal of leases.

Interest income of £64,000 (2024: £568,000) was recognised in the year in relation to lease receivables.

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for the year ended 31 March 2025 (continued)

23 Provisions

Consolidated	Dilapidations £'000	Onerous contracts £'000	Restructuring £'000	Total £'000
At 1 April 2024	153	70	1,034	1,257
Utilised in the year	(48)	(70)	(1,034)	(1,152)
At 31 March 2025	105	-	-	105
Total provisions 2025				
Included in current liabilities	105	-	-	105
Included in non-current liabilities	-	-	-	-
At 31 March 2025	105	-	-	105
Total provisions 2024				
Included in current liabilities	127	70	1,034	1,231
Included in non-current liabilities	26	-	-	26
At 31 March 2024	153	70	1,034	1,257

The dilapidations provision relates to the outflows which will be incurred when returning properties to their original condition at the end of the lease period.

Onerous lease provision has been made for the estimated fair value of unavoidable incremental contract costs on unoccupied buildings, which have reversed in the year following the end of the associated lease.

The restructuring provision relates to redundancy programs announced during the prior year but not paid at the prior year end.

24 Deferred tax liabilities

Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
Consolidated	**2025 £'000**	**2024 £'000**	**2025 £'000**	**2024 £'000**	**2025 £'000**	**2024 £'000**
Property, plant and equipment	-	-	(10,160)	(12,806)	(10,160)	(12,806)
Tax losses	13,117	10,216	-	-	13,117	10,216
Other timing differences	76	-	-	-	76	-
Retirement benefit obligation	-	-	(811)	(872)	(811)	(872)
Asset-backed partnership	-	-	(2,650)	(3,187)	(2,650)	(3,187)
Total	13,193	10,216	(13,621)	(16,865)	(428)	(6,649)

24 Deferred tax liabilities (continued)

Movements in net deferred tax (liabilities)/assets are as follows:

Consolidated	Note	Property, plant and equipment £'000	Tax losses £'000	Retirement benefit obligation £'000	Asset-backed partnerships £'000	Other timing differences £'000	Total £'000
At 1 April 2023		(10,670)	5,208	(1,093)	(3,649)	-	(10,204)
(Charged)/credited to the income statement	10	(2,136)	5,008	(1,455)	462	-	1,879
Credited directly to equity and other comprehensive income		-	-	1,676	-	-	1,676
At 31 March 2024		(12,806)	10,216	(872)	(3,187)	-	(6,649)
(Charged)/credited to the income statement	10	2,646	2,901	(637)	537	76	5,523
Credited directly to equity and other comprehensive income		-	-	698	-	-	698
At 31 March 2025		(10,160)	13,117	(811)	(2,650)	76	(428)

There are £nil deferred tax assets in the parent company (2024: £nil).

Deferred tax assets have been recognised to the extent that they are available for use against the reversal of deferred tax liabilities.

The major components of the deferred taxation asset not recognised are as follows:

	Not recognised	
	2025 £'000	2024 £'000
Losses	5,391	1,907

Deferred tax assets of £11,035,000 (2024: £1,213,000) have been recognised in those subsidiary companies in which there is sufficient available evidence that suitable taxable profits will arise against which these assets are expected to reverse. There are additional deferred tax losses of £5,391,000 (2024: £1,907,000) which have not been recognised, as there is insufficient evidence as to the generation of suitable profits against which these assets can be offset. The utilisation of these assets would reduce the Group's tax charge in future periods. Deferred tax has been provided at the rate at which it is expected to unwind.

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for the year ended 31 March 2025 (continued)

25 Share capital

	2025 £'000	2024 £'000
Allotted, called up and fully paid		
520,222,530 (2024: 520,222,530) ordinary shares of 10p each	52,022	52,022

During the financial year, the Company did not purchase any of its own shares (2024: nil).

26 Financial instruments – Risk management

The Group's principal financial instruments during the year comprised bank borrowings, related party loans, cash on short-term deposits, lease liabilities, forward foreign exchange contracts and interest rate swaps. The main purpose of these financial instruments is to finance the Group's operations and to minimise the impact of fluctuations in exchange and interest rates on future cash flows. The Group has various other financial instruments such as short-term receivables and payables which arise directly from its operations.

The Group regularly reviews its exposure to interest, liquidity and foreign currency risk. Where appropriate the Group will take action, in accordance with a Board approved Treasury policy, to minimise the impact on the business of movements in interest rates and currency rates.

The Group only enters into derivative instruments with members of the banking group to ensure appropriate counterparty credit quality.

Liquidity risk

The Group keeps its short, medium and long-term funding requirements under constant review. Its policy is to have sufficient committed funds available to meet medium-term requirements, including the ability to fund planned capital expenditure.

On 27 August 2024, the direct parent company, KCOM Holdco 3 Limited, entered into an amend and extend agreement on it's loan facilities. Certain statutory entities within the consolidated KCOM Group Limited financial statements act as guarantors for the loan facility.

As at the 31 March 2025, the Group has £19,444,000 of available cash (2024: £9,275,000) which is considered sufficient funding to meet its working capital requirements.

The net debt position of £158,340,000 at the beginning of the financial year including finance lease liabilities has decreased during the year to £167,835,000. The Group experienced a cash inflow of £10,169,000 for the year (2024: outflow £4,814,000).

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Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

26 Financial instruments – Risk management (continued)

Liquidity risk (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position date to the contractual maturity date. Notional interest is included for the period from the year-end up to the contractual maturity date of the debt, calculated on the amount of debt at the year-end.

Consolidated	**Less than one year £'000**	**One to three years £'000**
At 31 March 2024		
Loans from related parties	-	164,000
Trade and other payables	17,782	-
Lease liabilities	2,087	1,651
Total	19,869	165,651
At 31 March 2025		
Loans from related parties	-	183,367
Trade and other payables	9,539	-
Lease liabilities	2,034	1,952
Total	11,573	185,319

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts typically have a fixed term ranging from 12 months for assets such as fibres and cables up to 25 years for some network properties. Once the fixed term is complete, leases enter a rolling period which can be terminated by both parties upon giving notice of 12 months or less. Generally, there are no specific extension options included in the contracts.

Some property lease contracts include termination options which are exercisable by the Group either with or without an early termination penalty. At lease commencement the Group assesses whether it is reasonably certain to exercise these options when determining the contract term and consequently the lease liabilities which arise. The lease term is reassessed if there is a significant event or change in circumstances which affected the previous assessment.

Foreign currency risk

Cash flow exposure

The Group's only major foreign currency risk arises due to the purchase of equipment invoiced in US Dollars. Whenever possible the Group resells this equipment in US Dollars. The remaining exposure is managed principally through the use of forward foreign exchange contracts in order to minimise the impact of fluctuations in exchange rates on future cash flows and gross margin.

The Group also has some Euro cash flows but these are not material on a net basis and are not hedged.

Translation exposure

The Dollar-denominated trading described above results in a statement of financial position exposure since debtor days are longer than creditor days. It is the Group's policy not to hedge this exposure.

26 Financial instruments – Risk management (continued)

Market risk

The Group is exposed to market risk with respect to foreign currency fluctuations, as detailed above, and regarding the valuation of the pension assets. IAS 19 assumptions and sensitivity analysis are detailed in Note 28.

Credit risk

Risk management

Credit risk arises from cash and cash equivalents and derivative financial instruments, as well as credit exposures to business and retail customers.

Credit ratings of institutions which hold the Group's financial assets are regularly monitored to ensure they meet the minimum credit criteria set by the Board through the Group Treasury policy.

The credit quality of customers is assessed by taking into account their financial position, past experience and other factors. Individual risk limits are set and the utilisation of credit limits is monitored regularly.

The Group's exposure to credit risk is spread over a large number of customers.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Impairment of financial assets

The Group has three types of financial assets that are subject to the expected credit loss model:

- Trade receivables;
- Unbilled receivables; and
- Contract assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, unbilled receivables and contract assets.

Receivables and contract assets have been grouped based on shared credit risk characteristics and days past due. A provision rate matrix derived from historical information has been applied to estimate the expected credit losses. The unbilled receivables and contract assets relating to unbilled work in progress have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the unbilled receivables and contract assets.

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history and existing market conditions, as well as forward-looking estimates at the end of each reporting period. Details of the key assumptions and inputs are disclosed in the subsequent tables.

A default on a financial asset is when the counterparty fails to make contractual payments within 180 days of when they fall due.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

26 Financial instruments – Risk management (continued)

Credit risk (continued)

Impairment of financial assets (continued)

On that basis, the loss allowance as at 31 March 2025 and 31 March 2024 was determined as follows for both trade receivables and contract assets:

	Days past due					
At 31 March 2025	**Current**	**1-30**	**31-60**	**61-120**	**120+**	**Total**
Weighted average expected loss rate	0.7%	3.7%	8.0%	51.5%	61.4%	6.0%
Gross carrying amount of trade receivables	4,306	804	318	43	429	5,890
Gross carrying amount of unbilled receivables	214	-	-	-	-	214
Gross carrying amount of contract assets	68	-	-	-	-	68
Loss allowance	(33)	(30)	(26)	(22)	(263)	(374)

	Days past due					
At 31 March 2024	**Current**	**1-30**	**31-60**	**61-120**	**120+**	**Total**
Weighted average expected loss rate	0.0%	4.0%	4.3%	51.8%	60.9%	5.0%
Gross carrying amount of trade receivables	4,100	378	702	107	329	5,616
Gross carrying amount of unbilled receivables	344	-	-	-	-	344
Gross carrying amount of contract assets	27	-	-	-	-	27
Loss allowance	-	(14)	(30)	(56)	(200)	(300)

Movements in the Group’s provision for impairment of receivables and contract assets is as follows:

Consolidated	Trade receivables £‘000	Unbilled receivables £’000	Contract assets £’000	Total £'000
At 1 April 2023	(478)	(16)	(10)	(504)
Written off in the year	(262)	-	-	(262)
Amounts released in the year	466	-	-	466
At 31 March 2024	(274)	(16)	(10)	(300)
Written off in the year	(574)	-	-	(574)
Amounts released in the year	474	16	10	500
At 31 March 2025	(374)	-	-	(374)

26 Financial instruments – Risk management (continued)

Currency risk profile of financial assets and financial liabilities

Financial assets

The Group had financial assets of £31,614,000 at the year-end (2024: £16,000,000), of which £19,444,000 (2024: £9,275,000) comprised cash on overnight money market deposits and cash at bank. This attracts floating rates of interest.

The currency profile of the Group's cash and cash equivalents at 31 March 2025 and 31 March 2024 was:

Consolidated	2025 £'000	2024 £'000
Currency		
Sterling	16,895	8,929
US Dollar	2,468	277
Euro	81	69
Total	19,444	9,275

Foreign currency cash balances are held on a short-term basis to fund cash flow requirements in these currencies. All trade receivable balances bear no interest and are held in Sterling.

At the year-end £nil (2024: £1,300,000) of cash collateral was held in respect of a bank guarantee given under Ofcom's "Funds for Liabilities" regulations. The prior year amount (£1,300,000) guarantee was included within the above table is classified as 'restricted cash' and was not available for general use.

Financial liabilities

The currency and interest rate risk profile of the Group's financial borrowings at 31 March 2025 and 31 March 2024 was:

Consolidated	2025 Fixed £'000	2024 Fixed £'000
Sterling	183,367	164,000

There was no undrawn committed borrowing facilities at the year-end.

Interest on amounts owed to related parties is based on a fixed rate of 5.5%. All trade payable balances bear no interest and are held in Sterling with the exception of an equivalent of £164,000 (2024: £300,000) which is held in US Dollars.

26 Financial instruments – Risk management (continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, support the growth of the business and maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. For the definition and reconciliation of net debt to the closest equivalent UK adopted international accounting standards measure see the definitions in the Glossary on page 71.

IFRS 7 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

All of the Group's financial instruments fall into hierarchy level 2.

Total capital is shown in the table below and is calculated as "equity" as shown in the consolidated statement of financial position plus net debt.

Consolidated	2025 £'000	2024 £'000
Net debt	167,835	158,340
Total equity	5,081	32,190
Total capital	172,916	190,530

On 27 August 2024, the direct parent company, KCOM Holdco 3 Limited, entered into an amend and extend agreement on it's loan facilities. Certain statutory entities within the consolidated KCOM Group Limited financial statements act as guarantors for the loan facility.

The agreement is comprised of four facilities totalling total available funds of £445,000,000 with a maturity date on 28 September 2027.

At 31 March 2025, a combined amount of £425,000,000 (2024: £395,000,000) was drawn down under the agreement, with the remaining being available to draw down upon request over the duration of the loans.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

27 Financial commitments

Authorised future capital expenditure and financial investment for continuing operations in the years ended 31 March 2025 and 31 March 2024 amounted to:

	2025	2024
Consolidated	**£'000**	**£'000**
Property, plant and equipment	-	4,031
Intangible assets	-	103
Total	-	4,134

28 Retirement benefit asset – Consolidated

The Group operates two defined benefit schemes, the Kingston Communications Pension Scheme ('Main scheme') and the Kingston Communications (Data) Pension Scheme ('Data scheme'). Both schemes are closed to both new members and future benefit accrual.

The defined benefit schemes are operated in the UK under the same regulatory frameworks. Both schemes are final salary pension schemes which provide benefits to members in the form of a guaranteed level of pension payable for life at retirement. The level of benefits provided depends on the members' length of service and their final pensionable salary at the date they left the scheme.

In both cases, the schemes are funded and the assets of the schemes are held separately from the assets of the Group in Trustee administered funds.

All of the benefit payments are made from these Trustee administered funds. Scheme assets held in trusts are governed by local regulations and practice, as is the nature of the relationship between the Group and the Trustees (or equivalent) and their composition. The schemes are also offered additional security and funded, in part, via asset-backed partnerships. Details on this can be found below.

Responsibility for governance of the schemes lies with the Trustees. The Trustees must be composed of representatives of the Group and scheme participants in accordance with each scheme's individual Rules.

The pension schemes are subject to a full actuarial valuation every three years using assumptions agreed between the Trustees and the Group. The purpose of this valuation is to design funding plans to ensure that the pension schemes have sufficient funds available to meet future benefit payments. The Company's funding policy is to ensure assets are always sufficient to cover accrued service liabilities. There are no employer contributions scheduled for the future for both schemes. The Scheme's liabilities continue for approximately 11 years for the Main Scheme and 12 years for the Data Scheme.

The information disclosed below is based on the preliminary results of the latest formal actuarial valuation of the plans, which was undertaken as at 1 April 2022. This has been updated to 31 March 2025 by an independent qualified actuary, using assumptions that are consistent with the requirements of IAS19.

Surplus positions of £3,400,000 on the Main scheme and £200,000 on the data scheme have been recognised. These are recognised on the basis that, in line with the scheme rules, any excess funds are recoverable upon winding up of the scheme. This is consistent for both the schemes and supports the application that there are no additional liabilities from minimum funding requirements under IFRIC 14.

The Company has an historic contractual obligation to provide pension payments on an unfunded basis to a former employee. A liability is recorded for £400,000 for these obligations, which are calculated in line with the same assumptions applied to the defined benefit schemes.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

28 Retirement benefit asset – Consolidated (continued)

Risk

The cost of the schemes to the Group depend upon a number of assumptions about future events. Future contributions may be higher (or lower) than those currently agreed if the assumptions are not borne out in practice or if different assumptions are agreed in the future.

Specific risks include:

Changes in future expectations of price inflation: The scheme's benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. Hence, an increase in inflation will increase the deficit. This is offset in part by the Trustee's liability matching investment strategy as detailed below.

Changes in the discount rate used to value pension liabilities: A lower discount rate will lead to a higher present value being placed on future pension payments. Hence, a reduction in discount rate will increase the deficit. This is offset in part by the Trustee's liability matching scheme detailed below.

Unanticipated increase in life expectancy leading to an increase in the scheme's liabilities: An increase in life expectancy would mean pensions are expected to be paid for a longer period, so increasing the liability and the scheme's deficit. This is offset in part by the scheme applying a Life Expectancy Adjustment Factor, whereby future pensions coming into payment are adjusted to allow for increases in life expectancy.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

28 Retirement benefit asset – Consolidated (continued)

	Main scheme			Data scheme			Combined schemes		
Consolidated	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**
At 1 April 2023	169,061	(175,377)	(6,316)	27,165	(28,371)	(1,206)	196,226	(203,748)	(7,522)
Administrative expenses	-	688	688	-	233	233	-	921	921
Interest expense/(income)	7,792	(8,145)	(353)	1,259	(1,321)	(62)	9,051	(9,466)	(415)
Total amount recognised in profit or loss	7,792	(7,457)	335	1,259	(1,088)	171	9,051	(8,545)	506
Remeasurements:									
Return on plan assets, excluding amounts included in interest	-	9,803	9,803	-	1,732	1,732	-	11,535	11,535
Gains from change in financial assumptions	(1,583)	-	(1,583)	(228)	-	(228)	(1,811)	-	(1,811)
(Gains)/losses arising from changes in demographic assumptions	(2,570)	-	(2,570)	(451)	-	(451)	(3,021)	-	(3,021)
Total amount recognised in other comprehensive income	(4,153)	9,803	5,650	(679)	1,732	1,053	(4,832)	11,535	6,703
Employer contributions:									
Contributions via asset-backed partnership	-	(2,794)	(2,794)	-	(382)	(382)	-	(3,176)	(3,176)
Benefit payments	(9,838)	9,838	-	(1,400)	1,400	-	(11,238)	11,238	-
At 31 March 2024	162,862	(165,987)	(3,125)	26,345	(26,709)	(364)	189,207	(192,696)	(3,489)

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

28 Retirement benefit asset – Consolidated (continued)

	Unapproved unfunded liability			Main scheme			Data scheme			Combined schemes		
Consolidated	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**	**Present value of obligation £'000**	**Fair value of plan assets £'000**	**Total £'000**
At 1 April 2024	-	-	-	162,862	(165,987)	(3,125)	26,345	(26,709)	(364)	189,207	(192,696)	(3,489)
Administrative expenses	-	-	-	-	783	783	-	260	260	-	1,043	1,043
Interest expense/(income)	-	-	-	7,557	(7,758)	(201)	1,229	(1,250)	(21)	8,786	(9,008)	(222)
Total amount recognised in profit or loss	-	-	-	7,557	(6,975)	582	1,229	(990)	239	8,786	(7,965)	821
Remeasurements:												
Return on plan assets, excluding amounts included in interest	-	-	-	-	16,342	16,342	-	2,679	2,679	-	19,021	19,021
Gains from change in financial assumptions	402	-	402	(13,788)	-	(13,788)	(2,364)	-	(2,364)	(15,750)	-	(15,750)
Actuarial loss/(gain) on experience adjustment	-	-	-	(245)	-	(245)	(18)	-	(18)	(263)	-	(263)
(Gains)/losses arising from changes in demographic assumptions	-	-	-	(231)	-	(231)	13	-	13	(218)	-	(218)
Total amount recognised in other comprehensive income	402	-	402	(14,264)	16,342	2,078	(2,369)	2,679	310	(16,231)	19,021	2,790
Employer contributions:												
Contributions via asset-backed partnership	-	-	-	-	(2,962)	(2,962)	-	(405)	(405)	-	(3,367)	(3,367)
Benefit payments	-	-	-	(10,987)	10,987	-	(1,513)	1,513	-	(12,500)	12,500	-
At 31 March 2025	402	-	402	145,168	(148,595)	(3,427)	23,692	(23,912)	(220)	169,262	(172,507)	(3,245)

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

28 Retirement benefit asset – Consolidated (continued)

Significant estimates: IAS 19 assumptions and sensitivity

The significant IAS 19 assumptions were as follows:

	2025		2024	
Consolidated	**Main scheme**	**Data scheme**	**Main scheme**	**Data scheme**
RPI inflation	3.25%	3.20%	3.30%	3.25%
CPI inflation	2.80%	2.75%	2.85%	2.80%
Rate of increase to pensions in payment	2.66%	3.87%	2.70%	3.88%
Discount rate for scheme liabilities	5.60%	5.60%	4.80%	4.80%

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics.

The assumptions translate into an average life expectancy in years for a pensioner retiring at age 65 as follows:

	2025		2024	
Consolidated	**Main scheme**	**Data scheme**	**Main scheme**	**Data scheme**
Retiring at the end of the reporting year:				
- Male	20	22	21	22
- Female	22	24	23	24
Retiring 20 years after the end of the reporting year:				
- Male	22	23	22	23
- Female	24	25	24	25

The sensitivity of the defined benefit obligation to changes in the significant weighted principal assumptions is:

	Increase in assumption				Decrease in assumption			
Consolidated	**2025 Main scheme £'000**	**2025 Data scheme £'000**	**2024 Main scheme £'000**	**2024 Data scheme £'000**	**2025 Main scheme £'000**	**2025 Data scheme £'000**	**2024 Main scheme £'000**	**2024 Data scheme £'000**
Sensitivity to 1% change to:								
Discount rate	(9.6%)	(10.4%)	(10.3%)	(11.1%)	11.4%	12.5%	12.4%	13.4%
RPI Inflation	9.7%	3.5%	10.4%	3.7%	(8.2%)	(3.2%)	(8.7%)	(3.4%)
Sensitivity to 1 year change in life expectancy	3.1%	3.6%	(3.4%)	(3.9%)	(3.1%)	(3.7%)	(3.5%)	(3.7%)

The above sensitivity analyses are based on a change in a single assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and the changes in some of the assumptions may be correlated.

The methods used to determine the liabilities and types of assumptions used in preparing the disclosed results and sensitivity analysis has not changed compared to the prior year.

KCOM Group Limited

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

28 Retirement benefit asset – Consolidated (continued)

Statement of financial position amounts

The major categories of plan assets are as follows:

	2025				2024			
Consolidated	**Main scheme £'000**	**Data scheme £'000**	**Total £'000**	**%**	**Main scheme £'000**	**Data scheme £'000**	**Total £'000**	**%**
Leveraged gilts (unquoted)	(3,636)	3,807	171	0%	854	4,793	5,647	3%
Gilts (quoted)	8,052	-	8,052	5%	1,502	-	1,502	1%
Indexed linked gilts (quoted)	25,442	-	25,442	15%	39,599	-	39,599	20%
Leveraged index linked gilts (unquoted)	-	1,774	1,774	1%	-	2,305	2,305	1%
Inflation swap fund (quoted)	1,592	374	1,966	1%	3,297	519	3,816	2%
Liability matching funds (unquoted)	31,450	5,955	37,405	22%	45,252	7,617	52,869	27%
Hedge funds (unquoted)	99,913	16,631	116,544	68%	105,610	17,341	122,951	64%
Illiquid credit (unquoted)	10,918	-	10,918	6%	12,773	-	12,773	7%
Cash and cash equivalents (quoted)	6,313	1,327	7,640	4%	2,352	1,751	4,103	2%
Total	148,594	23,913	172,507	100%	165,987	26,709	192,696	100%

Liability Matching Funds

Liability matching funds primarily involve the use of government and corporate bonds. Derivatives such as interest rate and inflation swaps may also be used. There are no annuities or longevity swaps currently held by the Schemes.

The value of the liability matching fund assets are determined based on the latest market bid price for the underlying investments, which are traded daily/weekly on liquid markets.

Future benefit payments

KCH (Holdings) Limited, a wholly owned subsidiary of the parent company, is responsible for all obligations and liabilities of the schemes. An equivalent asset has been provided in the financial statements of KCH (Holdings) Limited.

The parent company provides a guarantee to both defined benefit schemes, whereby if KCH (Holdings) Limited is unable to meet its obligations to the schemes, such obligations would be met by the parent company. No liability has been recognised in respect of the guarantee at 31 March 2025 (2024: £nil).

Defined contribution schemes

The Group operates defined contribution schemes, which are open to all eligible employees. Contributions charged to the consolidated income statement in respect of defined contribution schemes amounted to £1,896,000 (2024: £1,929,000).

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

29 Other commitments and contingent liabilities

Contingent liabilities existed at 31 March 2025 and at 31 March 2024 in respect of guarantees given by the parent company on behalf of subsidiary undertakings. None of these guarantees are considered material in the context of the net assets of the Group.

Bank borrowings

On 27 August 2024, the direct parent company, KCOM Holdco 3 Limited, entered into an amend and extend agreement on it's loan facilities. Certain statutory entities within the consolidated KCOM Group Limited financial statements act as guarantors for the loan facility.

The agreement is comprised of four facilities totalling total available funds of £445,000,000 with a maturity date on 28 September 2027.

At 31 March 2025, a combined amount of £425,000,000 (2024: £395,000,000) was drawn down under the agreement, with the remaining being available to draw down upon request over the duration of the loans.

Retirement benefit asset

In June 2023, the UK High Court (Virgin Media Ltd v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgement was appealed but, on 25 July 2024, the Court of Appeal upheld the High Court's 2023 decision. The Trustees of the schemes and the Group are investigating whether there is a potential impact and if a potential impact is discovered the Group will work with the pension scheme to assess any implications. On 5 June 2025, it was announced that a bill will be put to parliament to give pension schemes the ability to retrospectively confirm that historic changes met the appropriate standards.

The Group and Trustees have been made aware of a small number of member data errors within KCOM's main defined benefit pension scheme. The Group and Trustees are in the process of investigating these potential errors to determine the financial impact and implications for the pension scheme. At the date of approval of these financial statements the investigation by the Group remains ongoing and the financial impact cannot be reliably measured.

Other guarantees

The Company has contingent liabilities in respect of payments under minimum usage agreements of £1,000,000 (2024: £2,080,000), and has provided guarantees to properties leased by third parties to landlords of £3,002,000 (2024: £1,003,000).

30 Related party transactions

Remuneration of Key management personnel

The total remuneration for key management personnel for the year totalled £1,178,000 (2024: £1,328,000).

Key management personnel are those considered to exercise authority and responsibility for planning, directing and controlling the activities of the Group. Members of the Executive leadership team assist the directors in their duties but do not hold authority to control the activities of the Group. Therefore, key management personnel are considered to be the Executive Board Directors and the Chief Financial Officer. See Note 8 for disclosure of the directors' remuneration.

Notes to the consolidated and parent company financial statements

for the year ended 31 March 2025 (continued)

30 Related party transactions (continued)

Intra-Group transactions

Amounts payable by the Company to subsidiaries totalled £545,000 as at 31 March 2025 (2024: £545,000).

Amounts receivable from KCOM Holdco 1 Limited (the ultimate UK parent company), KCOM Holdco 2 Limited and KCOM Holdco 3 Limited (the immediate parent undertaking) totalled £nil (2024: £725,000). See Note 17 for further details.

Amounts payable by the Group to KCOM Holdco 3 Limited, the immediate parent undertaking as at 31 March 2025 totalled £183,367,000 (2024: £164,000,000). See Note 19 for further details.

31 Subsequent events

Subsequent to the year end the available terms of the loan were amended such that outstanding interest was capitalised and covenants amended.

32 Ultimate controlling party

The immediate parent undertaking is KCOM Holdco 3 Limited.

The ultimate UK parent company is KCOM Holdco 1 Limited, a wholly owned indirect subsidiary of Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited), registered in Luxembourg). KCOM Holdco 1 Limited is the largest group to consolidate these financial statements in the UK. Copies of KCOM Holdco 1 Limited financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE.

The ultimate parent and controlling party is Macquarie European Infrastructure Fund 6 SCSp.

KCOM Group Limited

Glossary – Unaudited

Alternative Performance Measures ("APMs")

The directors use the APMs listed below as they are critical to understanding the financial performance of the Group. As they are not defined by IFRS, they may not be directly comparable with other companies who use similar measures.

Measure	**Closest equivalent IFRS measure**	**Definition and purpose**	**Reconciliation to closest equivalent IFRS measure**
Profit/(loss) measures			
EBITDA before exceptional items ('EBITDA')	Loss before tax	EBITDA before exceptional items is the key measure used by management to monitor the underlying performance of the Group. EBITDA before exceptional items is also reported to the Board, is incorporated in banking covenants and is an important measure for setting remuneration. EBITDA before exceptional items is important to the users of the financial statements as it assists with comparing performance from previous periods. The items classified as exceptional items are described in Note 7. EBITDA before exceptional items is defined as "loss before tax" before share of profit/(loss) before associates, finance costs, amortisation, depreciation and exceptional items.	Loss before tax as quoted in the consolidated income statement (£31,225,000), add back finance income and finance costs (net £9,480,000 cost) as quoted on the consolidated income statement, add back depreciation and amortisation (£25,436,000) and depreciation of ROU assets (£523,000), add loss on disposal of tangible assets (£231,000), less profit on disposal of intangible assets (£5,023,000), add loss on disposal of ROU assets (£121,000), as quoted on the consolidated cash flow statement, add back exceptional charge (£40,334,000) as quoted in Note 7.
Net debt measures			
Net debt before leases	Cash and cash equivalents, bank overdrafts, bank loans and loans from related parties	Net debt before leases is important as it allows management to assess available funds by calculating how much headroom there is within the Group's borrowing facilities. It is used in the monitoring, reporting and planning of cash flows. Net debt before leases is cash and cash equivalents, bank overdrafts, bank loans and loans from related parties. It excludes the impact of lease liabilities.	A reconciliation of this measure is provided in Note 20 of the financial statements.
Net debt measures			
Cash capital expenditure	Net cash used in investing activities	A proportion of our capital expenditure is obtained under financing arrangements therefore, compared to capital additions, this measure allows management to monitor, report and plan the cash flows relating to capital projects. This measure is important to the users of the financial statements as it provides the outflow of cash expenditure in the current year relating to assets purchased in the current and prior years. Cash capital expenditure is net cash used in investing activities before proceeds from sale of property, plant and equipment plus capital element of finance lease repayments.	Reported in the consolidated cash flow statement: Net cash used in investing activities (£15,260,000), add back proceeds from sale of intangible assets (£5,023,000).