



# **Regulatory Financial Statements** **for the year ended 31 March 2025**

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## Introduction to the Regulatory Financial Statements

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

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

In October 2021 Ofcom published its *Hull Area Wholesale Fixed Telecoms Market Review 2021-26* ("Hull FTMR") which removed its SMP findings relating to KCOM in the following markets:

- Wholesale Broadband Access
- Wholesale Low Bandwidth Traditional Interface Symmetric Broadband Origination (TISB0) <8Mbit/s
- Wholesale Contemporary Interface Symmetric Broadband Origination ('CISBO')
- Wholesale Fixed Analogue Exchange Lines
- Wholesale ISDN 30 Exchange Line Services
- Wholesale ISDN 2 Exchange Line Services
- Wholesale Call Origination on Fixed Narrowband network

The FTMR found that KCOM had SMP in the following markets and accordingly required KCOM to prepare RFS for these markets:

- Wholesale Local Access
- Wholesale Leased Lines Access Services

The RFS comprise individual and consolidated reports for each of the markets where cost accounting and accounting separation obligations apply. The RFS are based on the consolidated results of KCOM Group Limited. Reconciliations to the KCOM Group Limited annual report are included in the RFS.

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

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

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

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

## **Introduction to the Regulatory Financial Statements**

### **Wholesale Business Review**

Following a review of its pricing in July 2024, the wholesale business reduced its wholesale FTTP prices in order to attract new wholesale customers and increase fibre take-up. In January 2025 a further review took place, simplifying the products offered, and giving more value to customers. This demonstrates KCOM's commitment to our wholesale partners regarding access to the Company's world class infrastructure, to enable our partners' end customers to receive quality products delivered over one of the best networks in the UK. The RFS covers the financial year to 31 March 2025 and therefore some price reductions only impact part of the year under review.

### **Financial Statement Prior year restatements**

During the year a review was taken of the price charged for internal sales within the Confidential Information provided to Ofcom. It was found that some prices were previously calculated on an incorrect basis and not in line with the Description of Cost Accounting System. These changes to internal revenue have had a subsequent effect on internal debtors and internal creditors. The impact of these changes is shown in the relevant sections.

A restatement also took place for a cost allocation methodology following an accounting change to remove previous allocation of dyssynergies. The restatement ensures a consistent presentation for the periods ended 31 March 2025 and 31 March 2024.

## Statement of directors' responsibilities in respect of the regulatory financial statements

The directors of KCOM Group Limited are responsible for properly preparing the regulatory financial statements in accordance with the Description of Cost Accounting System ("DOCAS") dated 13 February 2026. This special reporting framework is specific to these financial statements and does not represent a financial reporting framework established by an authorised or recognised standard setting organisation. The directors must not approve the regulatory financial statements unless they are satisfied that they have been properly prepared, in all material respects, in accordance with the basis of preparation and accounting policies in note 2 to the regulatory financial statements. In preparing the regulatory financial statements, the directors are responsible for:

- selecting suitable accounting policies and then applying them consistently;
- making judgements and accounting estimates that are reasonable and prudent;
- stating the basis of preparation and accounting policies applied; and
- reconciling the regulatory financial statements with the Annual Report and Accounts of KCOM Group Limited and ensuring that reconciliation is demonstrated and explained.

The directors are responsible for safeguarding the assets of the KCOM Group Limited, which may for regulatory purposes be allocated or apportioned to the separate businesses, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the group.

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 also responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Richard Shafer  
Chief Executive Officer  
13 February 2026

# Independent auditor's report to the members of KCOM Group Limited and the Office of Communications (“Ofcom” or the “Regulator”).

## Opinion

We have audited the non-statutory regulatory financial statements (the ‘financial statements’) of KCOM Group Limited and its subsidiaries (the ‘group’) for the year ended 31 March 2025, which comprise:

- the Consolidated Current Cost Profit and Loss Account, the Consolidated Statement of Current Cost Mean Capital Employed and the Consolidated Network Activity Statement for the year ended 31 March 2025;
- the Current Cost Profit and Loss Accounts, the Statements of Current Cost Mean Capital Employed for each Regulatory Market (Wholesale Local Access in the Hull Area, and Wholesale Market for Leased Lines within the Hull Area) for the year ended 31 March 2025;
- the Reconciliation Statement – the Consolidated Profit and Loss Account for the year ended 31 March 2025 and the Reconciliation Statement – the Consolidated Mean Capital Employed for the year ended 31 March 2025;
- the notes to the Regulatory Accounts, including material accounting policy information.

The financial statements have been prepared in accordance with a special purpose framework.

In our opinion, the accompanying financial statements of KCOM Group Limited and its subsidiaries for the year ended 31 March 2025

- are prepared, in all material respects, in accordance with the basis of accounting as described in note 2 to the financial statements; and
- have been properly prepared in accordance with the Description of Cost Accounting System (“DOCAS”) dated 13 February 2026.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)), including ISA (UK) 800 (Revised) ‘Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks’ 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom 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.

### **Emphasis of matter – Basis of accounting and restriction on distribution and use**

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to meet the group's obligation to their regulator, Ofcom. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for KCOM Group Limited, its members and Ofcom and should not be distributed to or used by parties other than KCOM Group Limited, its members or Ofcom. Our opinion is not modified in respect of this matter.

### **Material uncertainty related to going concern**

We draw attention to note 2 in the financial statements, which sets out that the Group 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, these events or conditions, along with the other matters as set forth in note 2, indicate that a material uncertainty exists that may cast significant doubt on the group'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 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 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 regulatory financial statements, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the regulatory financial statements. Our opinion on the financial statements does not cover the other information and 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.

## **Responsibilities of the directors**

As explained more fully in the statement of directors' responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements, in accordance with the basis of accounting described in note 2 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 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 has no realistic alternative but to do so.

## **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:

- We obtained an understanding of the laws and regulations related to Ofcom regulations that are applicable to the group.
- We understood how the group 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 and correspondence with Ofcom.
- We assessed the susceptibility of the group's financial statements to material misstatement. In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the group'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;
  - the group'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:
  - 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;
  - challenging assumptions and judgements made by management in its significant accounting estimates; and
  - completion of audit procedures to conclude on the compliance of disclosures in the regulatory financial statements with the DOCAS dated 13 February 2026.
- 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:
  - understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
  - knowledge of the industry in which the group operates; and
  - understanding of the legal and regulatory requirements specific to the group.
- 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](http://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 group's members, as a body, in accordance with the group's obligations set out by Ofcom in the "KCOM Regulatory Financial Reporting, Statement on new regulatory financial reporting directions covering all regulated fixed telecoms markets" issued February 2019, and "Hull Area Wholesale Fixed Telecoms Market Review 2021-26" issued October 2021. Our audit work has been undertaken so that we might state to the group'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 group and the group's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Grant Thornton UK LLP*

Grant Thornton UK LLP  
Leeds  
13 February 2026

**Consolidated Current Cost Profit and Loss Account**  
**Consolidated Total - For all markets where cost accounting and accounting separation obligations apply**

	£k	£k		
	2025	2024 (Restated)	£k Change Year on Year	% Change Year on Year
for the year ended 31 March 2025				
<b>Turnover</b>				
Internal Sales	34,765	30,789	3,976	13%
External Sales	3,662	3,267	395	12%
<b>Total Turnover</b>	<b>38,427</b>	<b>34,056</b>	<b>4,372</b>	<b>13%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(4,168)	(4,555)	387	(8%)
- Finance & Billing	(995)	(1,467)	472	(32%)
- General Management	(1,584)	(1,938)	354	(18%)
- Bad Debts	(0)	5	(5)	(101%)
- Back Office Support	(663)	(2,020)	1,356	(67%)
- Other Costs	(4,476)	(3,267)	(1,210)	37%
<b>Sub total operating expenditure</b>	<b>(11,887)</b>	<b>(13,241)</b>	<b>1,354</b>	<b>(10%)</b>
Depreciation				
- Land and buildings	(190)	(249)	60	(24%)
- Duct	(133)	(113)	(20)	18%
- Copper	-	-	-	-
- Fibre	(5,117)	(4,672)	(445)	10%
- Transmission	(206)	(186)	(21)	11%
- Exchange	(47)	(65)	18	(27%)
- Other	(1,940)	(3,452)	1,511	(44%)
CCA adjustments:				
Holding gain	(591)	2,515	(3,106)	(123%)
Supplementary depreciation	(2,146)	(2,698)	552	(20%)
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(22,259)</b>	<b>(22,160)</b>	<b>(98)</b>	<b>0%</b>
<b>Return</b>	<b>16,169</b>	<b>11,896</b>	<b>4,273</b>	<b>36%</b>
<b>MCE</b>	<b>112,009</b>	<b>109,715</b>	<b>2,294</b>	<b>2%</b>
<b>RETURN ON MEAN CAPITAL EMPLOYED</b>				
Total Reported Wholesale Markets	2025	2024	Change Year on Year	% Change Year on Year
	%	%		
<b>Return on mean capital employed</b>	<b>14.4%</b>	<b>10.8%</b>	<b>3.6%</b>	<b>33.1%</b>

The 2024 restatement is shown in note 4.

## Consolidated Statement of Current Cost Mean Capital Employed

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

for the year ended 31 March 2025

	£k	£k	£k Change	% Change
	2025	2024 (Restated)		
<b>Fixed assets</b>				
Tangible assets				
- Land & Buildings	1,823	1,974	(151)	(8%)
- Duct	4,680	4,980	(300)	(6%)
- Fibre	78,113	76,136	1,977	3%
- Copper	-	-	-	
- Transmission	2,115	2,266	(151)	(7%)
- Exchange	140	210	(70)	(33%)
- Other	21,216	20,626	590	3%
Investments	-	-		
<b>Total fixed assets</b>	<b>108,087</b>	<b>106,192</b>	<b>1,895</b>	<b>2%</b>
<b>Current assets</b>				
Stocks	1,600	1,763	(163)	(9%)
Debtors	-	-	-	
- internal	2,857	2,531	327	13%
- external	166	239	(73)	(31%)
<b>Total current assets</b>	<b>4,623</b>	<b>4,532</b>	<b>91</b>	<b>2%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- external	(701)	(1,009)	308	-31%
<b>Total creditors: amounts falling due within one year</b>	<b>(701)</b>	<b>(1,009)</b>	<b>308</b>	<b>-31%</b>
Net current assets	3,922	3,523	399	11%
Total assets less current liabilities	112,009	109,715	2,294	2%
Provisions for liabilities and charges	-	-	-	-
<b>Mean capital employed</b>	<b>112,009</b>	<b>109,715</b>	<b>2,294</b>	<b>2%</b>

## Consolidated Network Activity Statement

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

for the year ended 31 March 2025

Fully Allocated Costs £'000	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to	Unit of measure (based on network components)	Volume	Average costs per unit on a current cost basis relating to current year
<b>Components</b>											
Net Current Assets	-	-	-	-	3,922	7.8%	306	306	Various	141,904	£2.16
Electronics	997	94	(70)	1,021	2,427	7.8%	189	1,210	Various	141,904	£8.53
Field Provision	861	7	(2)	866	125	7.8%	10	876	Various	141,904	£6.18
Field Maintenance	236	2	(0)	238	34	7.8%	2	240	Various	141,904	£1.69
Local Loop Infrastructure	12,864	1,858	709	15,431	100,380	7.8%	7,830	23,261	Various	141,904	£163.92
Exchange Concentrator	-	-	-	-	-	7.8%	-	-	Various	141,904	£0.00
Exchange to Exchange Transmission link	2,299	144	(37)	2,407	4,602	7.8%	359	2,766	Various	141,904	£19.49
Back-office Provisioning	2,083	17	(4)	2,097	302	7.8%	24	2,121	Various	141,904	£14.94
Back-office Maintenance	-	-	-	-	-	7.8%	-	-	Various	141,904	£0.00
Sales and Product Management	-	-	-	-	-	7.8%	-	-	Various	141,904	£0.00
Other	181	23	(5)	199	217	7.8%	17	216	Various	141,904	£1.52
<b>Totals 2025</b>	<b>19,521</b>	<b>2,146</b>	<b>591</b>	<b>22,259</b>	<b>112,009</b>		<b>8,737</b>	<b>30,996</b>			

for the year ended 31 March 2024

Fully Allocated Costs £'000	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Unit of measure (based on network components)	Volume	Average costs per unit on a current cost basis relating to current year
<b>Components</b>											
Net Current Assets	-	-	-	-	3,523	7.8%	275	275	Various	161,552	£1.70
Electronics	1,355	112	(70)	1,336	2,674	7.8%	209	1,545	Various	161,552	£9.56
Field Provision	1,405	39	28	1,394	245	7.8%	19	1,413	Various	161,552	£8.75
Field Maintenance	694	19	14	683	121	7.8%	10	693	Various	161,552	£4.29
Local Loop Infrastructure	15,228	2,132	(2,326)	14,045	98,203	7.8%	7,660	21,705	Various	161,552	£134.35
Exchange Concentrator	-	-	-	-	-	7.8%	-	-	Various	161,552	£0.00
Exchange to Exchange Transmission link	1,691	286	(226)	1,674	4,168	7.8%	325	1,999	Various	161,552	£12.38
Back-office Provisioning	2,825	79	57	2,788	492	7.8%	39	2,827	Various	161,552	£17.50
Back-office Maintenance	-	-	-	-	-	7.8%	-	-	Various	161,552	£0.00
Sales and Product Management	-	-	-	-	-	7.8%	-	-	Various	161,552	£0.00
Other	215	31	7	239	289	7.8%	22	261	Various	161,552	£1.62
<b>Totals 2024</b>	<b>23,412</b>	<b>2,698</b>	<b>(2,515)</b>	<b>22,160</b>	<b>109,715</b>		<b>8,559</b>	<b>30,719</b>			

## **Regulatory Financial Review**

### **Rounding of Presented Numbers**

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

### **Ofcom Statement**

Under Schedule 4 of Ofcom's Statement: *KCOM Regulatory Financial Reporting*, 6 February 2019, Ofcom is entitled to comment on the data in, the notes to, or the presentation of any of the Financial Statements, in relation to each of the markets. {Ofcom has informed KCOM that it does not consider such a statement necessary for the Regulatory Accounts ending 31 March 2025.}

## Regulatory Financial Review (KCOM)

### Wholesale Local Access in the Hull area

The Wholesale Local Access market comprises fibre access products from a point of aggregation (at an exchange) to a home or business premise in the Hull area. KCOM does not supply any copper-based Wholesale Local Access services and so none are included in this market (all wholesale copper services in the Hull area included in the statements for the Wholesale Residual market). As at 31 March 2025, 100% of premises were passed by KCOM's fibre deployment in the Hull Area. There are a number of residential and business addresses in the Hull Area that are currently without 'bookable' access to our fibre broadband service (i.e. those customers that cannot currently purchase our fibre broadband service due to controllable engineering exceptions but whose premise has been passed with the requisite fibre infrastructure). These 'non-bookable exceptions' arise as a consequence of engineering (e.g. direct buried cables) or administrative (e.g. wayleaves) issues. KCOM has an active programme to address these exceptions.

Wholesale products in this market have been priced using relevant Reference Offer prices in the period under review. Through the year we were actively migrating customers from copper delivered voice products to voice delivered over fibre lines. For the WLA market, this meant increased revenue as customers are migrated, as the customers switch from the transition product (with voice line rental within wholesale residual markets), to a data only WLA product including voice line. The average number of customers on data only in 2024/25 was 57,822 (42%).

#### Number of circuits

	2023/24	2024/25	
	Volume	Volume	Annual increase
Rental circuit Volume	140,459	136,608	-3%

Overall, revenue has increased by 12% reflecting the migration of customer to data only. Total costs increased by 1%, with a fall in operating costs of 16% offset by increases in depreciation and holding gains.

## Wholesale Local Access in the Hull area

CURRENT COST PROFIT AND LOSS ACCOUNT  
for the year ended 31 March 2025

	£k	£k	£k Change	% Change
	2025	2024 (Restated)	Year on Year	Year on Year
<b>Turnover</b>				
Internal Sales	29,672	26,705	2,967	11%
External Sales	165	-	165	0%
<b>Total Turnover</b>	<b>29,837</b>	<b>26,705</b>	<b>3,132</b>	<b>12%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(2,549)	(2,770)	221	(8%)
- Finance & Billing	(813)	(1,259)	445	(35%)
- General Management	(1,284)	(1,659)	376	(23%)
- Bad Debts	(0)	4	(4)	(101%)
- Back Office Support	(509)	(1,615)	1,106	(68%)
- Other Costs (1)	(3,385)	(2,709)	(676)	25%
<b>Sub total operating expenditure</b>	<b>(8,540)</b>	<b>(10,009)</b>	<b>1,469</b>	<b>(15%)</b>
Depreciation				
- Land and buildings	(139)	(197)	58	(29%)
- Duct	(71)	(77)	6	(8%)
- Copper	-	-	-	-
- Fibre	(4,992)	(4,345)	(647)	15%
- Transmission	-	-	-	-
- Exchange	(38)	(55)	18	(32%)
- Other	(1,607)	(3,008)	1,401	(47%)
CCA adjustments:				
Holding gain / (loss)	(706)	2,246	(2,952)	(131%)
Supplementary depreciation	(1,880)	(2,231)	351	(16%)
Other adjustments	-	-	-	-
<b>Total operating costs</b>	<b>(17,972)</b>	<b>(17,676)</b>	<b>(296)</b>	<b>2%</b>
<b>Return</b>	<b>11,864</b>	<b>9,029</b>	<b>2,836</b>	<b>31%</b>
<b>MCE</b>	<b>103,873</b>	<b>101,624</b>	<b>2,249</b>	<b>2%</b>

### RETURN ON MEAN CAPITAL EMPLOYED

for the year ended 31 March 2025

			Change Year	% Change Year
			on Year	on Year
<b>Return on mean capital employed</b>	<b>11.4%</b>	<b>8.9%</b>	<b>2.5%</b>	<b>28.6%</b>

The 2024 restatement is shown in note 4.

(1) Other Costs includes £1.2m of Hereditament costs (FY24 £1.2m). All remaining 'Other' cost items are below 5% of total operating costs.

## Wholesale Local Access in the Hull area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2025

	£k	£k		
	2025	2024	£k Change	% Change
<b>Fixed assets</b>				
Tangible assets				
- Land & Buildings	1,345	1,604	(259)	(16%)
- Duct	2,503	3,396	(894)	(26%)
- Fibre	77,151	74,238	2,913	4%
- Copper	-	-	-	-
- Transmission	-	-	-	-
- Exchange	124	183	(59)	(32%)
- Other	19,569	19,361	208	1%
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>100,692</b>	<b>98,782</b>	<b>1,910</b>	<b>2%</b>
<b>Current assets</b>				
Stocks	1,308	1,513	(205)	(14%)
Debtors				
- internal	2,439	2,195	244	11%
- external	7	-	-	-
<b>Total current assets</b>	<b>3,754</b>	<b>3,708</b>	<b>46</b>	<b>1%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	-
- external	(573)	(866)	293	(34%)
<b>Total creditors: amounts falling due within one year</b>	<b>(573)</b>	<b>(866)</b>	<b>293</b>	<b>(34%)</b>
<b>Net current assets</b>	<b>3,181</b>	<b>2,842</b>	<b>339</b>	<b>12%</b>
<b>Total assets less current liabilities</b>	<b>103,873</b>	<b>101,624</b>	<b>2,249</b>	<b>2%</b>
Provisions for liabilities and charges	-	-	-	-
<b>Mean capital employed</b>	<b>103,873</b>	<b>101,624</b>	<b>2,249</b>	<b>2%</b>

## Regulatory Financial Review (KCOM)

### Wholesale Market for Leased Lines within the Hull Area

The Leased Lines market includes 2Mbit/s to 100Gbit/s ethernet services. Customers include businesses, mobile infrastructure operators and Communications Providers servicing their national clients.

#### Number of Circuits

	2023/24	2024/25	
	Volume	Volume	Annual Increase
Circuit Nos	1,724	2,087	21%

Overall, revenue has increased by 17% reflecting higher volumes. Total costs decreased by 5%, with a rise in operating costs of 3% offset by decreases in depreciation and holding gains.

## Wholesale Market for Leased Lines within the Hull Area

### CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2025

	£k	£k		
	2025	2024 (Restated)	£k Change Year on Year	% Change Year on Year
<b>Turnover</b>				
Internal Sales	5,094	4,084	1,009	25%
External Sales	3,497	3,267	231	7%
<b>Total Turnover</b>	<b>8,591</b>	<b>7,351</b>	<b>1,240</b>	<b>17%</b>
<b>Operating costs</b>				
Operating costs				
- Engineering Support	(1,620)	(1,785)	165	(9%)
- Finance & Billing	(182)	(208)	26	(13%)
- General Management	(300)	(278)	(22)	8%
- Bad Debts	(0)	1	(1)	(101%)
- Back Office Support	(154)	(404)	250	(62%)
- Other Costs (1)	(1,091)	(557)	(534)	96%
<b>Sub total operating expenditure</b>	<b>(3,347)</b>	<b>(3,232)</b>	<b>(115)</b>	<b>4%</b>
Depreciation				
- Land and buildings	(51)	(53)	2	(3%)
- Duct	(62)	(36)	(26)	72%
- Copper	-	-	-	-
- Fibre	(125)	(327)	202	(62%)
- Transmission	(206)	(186)	(21)	11%
- Exchange	(10)	(9)	(0)	1%
- Other	(334)	(444)	110	(25%)
CCA adjustments:				
Holding gain / (loss)	115	269	(155)	(57%)
Supplementary depreciation	(266)	(467)	201	(43%)
Other adjustments	-	-	-	0%
<b>Total operating costs</b>	<b>(4,286)</b>	<b>(4,484)</b>	<b>198</b>	<b>(4%)</b>
<b>Return</b>	<b>4,305</b>	<b>2,867</b>	<b>1,438</b>	<b>50%</b>
<b>MCE</b>	<b>8,136</b>	<b>8,091</b>	<b>45</b>	<b>1%</b>

### RETURN ON MEAN CAPITAL EMPLOYED

for the year ended 31 March 2025	2025	2024 (Restated)	Change Year on Year	% Change Year on Year
	%	%		
<b>Return on mean capital employed</b>	<b>52.9%</b>	<b>35.4%</b>	<b>17.5%</b>	<b>49.3%</b>

The 2024 restatement is shown in note 4.

(1) Other Costs includes £0.5m of Hereditament costs (FY24 £0.3m). All 'Other' cost items are below 5% of total operating costs.

## Wholesale Market for Leased Lines within the Hull Area

### STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

for the year ended 31 March 2025

	£k	£k		
	2025	2024	£'k Change	% Change
<b>Fixed assets</b>				
Tangible assets				
- Land & Buildings	478	370	108	29%
- Duct	2,177	1,584	593	37%
- Fibre	962	1,898	(936)	(49%)
- Copper	-	-	-	
- Transmission	2,115	2,266	(151)	(7%)
- Exchange	16	27	(11)	(42%)
- Other	1,647	1,265	382	30%
Investments	-	-	-	-
<b>Total fixed assets</b>	<b>7,395</b>	<b>7,410</b>	<b>(15)</b>	<b>(0%)</b>
<b>Current assets</b>				
Stocks	292	250	42	17%
Debtors	-	-	-	
- internal	419	336	83	25%
- external	158	239	(81)	(34%)
<b>Total current assets</b>	<b>869</b>	<b>824</b>	<b>45</b>	<b>5%</b>
<b>Creditors: amounts falling due within one year</b>				
Other creditors				
- internal	-	-	-	
- external	(128)	(143)	15	(10%)
<b>Total creditors: amounts falling due within one year</b>	<b>(128)</b>	<b>(143)</b>	<b>15</b>	<b>(10%)</b>
<b>Net current assets</b>	<b>741</b>	<b>681</b>	<b>60</b>	<b>9%</b>
<b>Total assets less current liabilities</b>	<b>8,136</b>	<b>8,091</b>	<b>45</b>	<b>1%</b>
Provisions for liabilities and charges	-	-	-	-
<b>Mean capital employed</b>	<b>8,136</b>	<b>8,091</b>	<b>45</b>	<b>1%</b>

## Notes to the Regulatory Financial Statements including accounting policies

### 1. STATUTORY FINANCIAL STATEMENTS

These Financial Statements, which are not statutory accounts within the meaning of the Companies Act 2006, have been prepared on the basis described in the Description of Cost Accounting System (DOCAS) dated 13 February 2026. The statutory financial statements for KCOM Group Limited, for the year ended 31 March 2025 have been prepared, on which the auditors issued an unqualified report. The report did include a reference to a material uncertainty in relation to going concern which the auditor drew attention to by way of emphasis without qualifying their report.

### 2. ACCOUNTING POLICIES

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

#### Basis of preparation

These financial statements have been prepared on the basis described in the Description of Cost Accounting System dated 13 February 2026 and as required under Ofcom's regulatory financial reporting requirements as set out in the documents listed on Page 3. The comparative information for the year ended 31 March 2024 originally published on 19 December 2024 was prepared in accordance with the Description of Cost Accounting System dated 19 December 2024. This special reporting framework is specific to these financial statements and does not represent a financial reporting framework established by an authorised or recognised standard setting organisation.

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

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

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

The reconciliation between mean capital employed in the RFS and the Annual Report (Page 28) reconciles the Profit as shown in the RFS to the operating profit before tax in KCOM Annual Report.

Similarly, in the reconciliation between mean capital employed in the RFS and the Annual Report (Page 30), the adjustments to Shareholder Funds, made to exclude items not relevant to the regulatory financial statements, are based on the amounts shown in the Annual Report. As a result, the RFS include an allocation of certain items, (including deferred tax assets and lease liabilities) to the retail residual activity which would previously have been excluded from the RFS as reconciling items.

#### 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 sensitized 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 would 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 regulated financial statements.

#### Turnover

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

#### *Standalone service offerings*

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

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

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

### **Tangible fixed assets**

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

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease. As the RFS are prepared on a current cost accounting (CCA) basis, KCOM revalues its assets based on an estimate of what it would cost to replace them. KCOM bases its estimate of replacement cost on the RPI index.

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

### *Current Cost Accounting*

As set out in Ofcom's directions, asset values are stated on a Current Cost Accounting ("CCA") basis. This requires KCOM to revalue its assets based on an estimate of what it would cost to replace them. KCOM bases its estimate of replacement cost on the RPI index.

The estimated cost of replacing these assets, and therefore the reported mean capital employed, will increase each year, in line with inflation. This increase in value, or holding gain, is recognised in the income statement for the year and has the effect of reducing reported net costs. A supplementary CCA depreciation cost on the income statement is also calculated to reflect the higher depreciation costs associated with the increased asset value.

### **Stocks**

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

### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or, if appropriate, at the forward contract rate. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account.

**Annex 11**

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

**Leases**

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

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

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

**Pensions**

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

**3. INTER BUSINESS BALANCES**

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

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

**4. RESTATEMENT OF PRIOR YEAR COMPARATIVES**

The impact of the restatements, as explained on page 4, is as follows

	Wholesale Local Access in the Hull area			Wholesale Market for Leased Lines within the Hull Area		
	FY24 Previously Reported	FY24 Restated	Difference	FY24 Previously Reported	FY24 Restated	Difference
Revenues (£k)	26,705	26,705	-	7,351	7,351	-
Total Operating Costs (£k)	(18,908)	(17,676)	1,231	(4,687)	(4,484)	203
Return (£k)	7,797	9,029	1,231	2,664	2,867	203
MCE (£k)	101,624	101,624	-	8,091	8,091	0
ROCE	7.7%	8.9%	1.2%	32.9%	35.4%	2.5%

## Reconciliation Statement

### Consolidated profit and loss account

for the year ended 31 March 2025

	Turnover £k	Operating Costs £k	HCA Return or Profit before taxation £k	Holding gain/(loss) and other Adjustments £k	Supplementary depreciation £k	CCA Return or Profit Before Taxation £k
<b>Market/Area</b>						
Wholesale SMP Markets	38,427	(19,521)	18,906	(591)	(2,146)	16,169
<u>Residual activities</u>						
- Wholesale residual activities	59,357	(53,418)	5,939	692	(1,839)	4,792
- Retail residual activities	87,529	(102,684)	(15,156)	1,943	(1,260)	(14,473)
<b>Total</b>	<b>185,313</b>	<b>(175,624)</b>	<b>9,690</b>	<b>2,044</b>	<b>(5,246)</b>	<b>6,488</b>
<b>Adjustments (as necessary)</b>						
Elimination of Inter Business turnover and costs	(89,103)	89,103	-			
Finance costs			(9,766)			
Asset Impairment			(35,393)			
Asset Sales			5,023			
Finance Income			286			
Share of loss of joint venture			(36)			
Impairment loss on amounts owed by group companies			(1,029)			
<b>As per the KCOM Group Limited Annual Report (page 15)</b>	<b>96,211</b>	<b>(86,521)</b>	<b>(31,225)</b>			

Retail residual includes network assets outside of the Hull Area and associated income and costs.

## Reconciliation Statement

### Consolidated profit and loss account

for the year ended 31 March 2024 (Restated) (Note 4.)

	Turnover £k	Operating Costs £k	HCA Return or Profit before taxation £k	Holding gain/(loss) and other Adjustments £k	Supplementary depreciation £k	CCA Return or Profit Before Taxation £k
<b>Market/Area</b>						
Wholesale SMP Markets*	34,056	(21,977)	12,079	2,515	(2,698)	11,896
<u>Residual activities</u>						
- Wholesale residual activities *	66,275	(57,994)	8,281	100	(4,376)	4,005
- Retail residual activities *	91,522	(104,707)	(13,185)	(21,065)	(2,494)	(36,748)
<b>Total</b>	<b>191,853</b>	<b>(184,678)</b>	<b>7,175</b>			
<b>Adjustments (as necessary)</b>						
Elimination of Inter Business turnover and costs	(89,963)	89,963	-			
Finance income			983			
Finance costs			(9,779)			
<b>As per the KCOM Group Limited Annual Report (year ended 31 Mar 2024 page 15)</b>	<b>101,889</b>	<b>(94,714)</b>	<b>(1,622)</b>			

Retail residual includes network assets outside of the Hull Area and associated income and costs.

## Reconciliation Statement

	<b>2025</b>	<b>2024</b>
	£k	£k
<b>Consolidated mean capital employed</b>		
for the year ended 31 March 2025		
<b>Consolidated mean capital employed</b>		
Shareholders' funds as per the KCOM Group Limited Annual Report (page 16)	(8,036)	32,189
<b>CCA Adjustments</b>	47,677	46,583
<b>Adjustments</b>		
Investments	(0)	(36)
Retirement benefit asset	(3,245)	(3,489)
Finance leases	1,857	1,998
Provisions for other liabilities and charges (short)	105	1,104
Bank loans	-	-
Loans from related parties	183,367	164,000
Retirement benefit obligation	-	-
Deferred tax liabilities	13,544	6,649
Finance leases long term	2,055	1,617
Provisions for other liabilities and charges	0	154
Finance lease receivable ST	(1,087)	(1,101)
Finance lease receivable LT	-	(1,405)
Amounts due from related parties	1,028	(725)
Other differences	-	-
<b>Closing CCA capital employed at 31 March</b>	<b>237,265</b>	<b>247,538</b>
<b>Opening CCA capital employed as 1 April</b>	<b>247,538</b>	<b>291,759</b>
Adjustment to opening CCA Capital employed at 1 April	374	(8,378)
Revised Opening CCA Capital Employed at 1 April	247,912	283,381
<b>Average CCA Capital employed</b>	<b>242,589</b>	<b>265,459</b>
Mean Capital employed of SMP Markets		
Wholesale Local Access	103,873	101,624
Wholesale Leased Lines	8,136	8,091
<b>Sub total markets</b>	<b>112,009</b>	<b>109,715</b>
<u>Residual activities</u>		
- Wholesale residual activity	36,177	45,977
- Retail residual activity	94,403	109,767
<b>Total CCA Mean capital employed</b>	<b>242,589</b>	<b>265,459</b>