

KCOM Group PLC

Regulatory Financial Statements for the year ended 31 March 2016

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By market, the following statements are presented

Regulatory financial review

Wholesale market current cost profit and loss account

Wholesale market statement of current cost mean capital employed

Market statement of costs on a current cost basis, network activity statement (as applicable)

Directors' Statement of Responsibility

The board of directors of KCOM Group PLC have responsibility for setting out the basis of preparation of the Financial Statements, confirming compliance with its responsibilities under the Conditions as conferred in "The regulatory financial reporting obligations on BT and Kingston Communications: Final statement and notification dated 22 July 2004."

Each financial statement:

- 1 includes
- A regulatory financial review
- A current cost profit and loss account
- A statement of current cost mean capital employed
- A network activity statement (if applicable)
- 2 is prepared in accordance with the Description of Cost Accounting Systems (the "DOCAS") dated 25th July 2016
- 3 is reconciled with the Annual Report and Accounts of KCOM Group PLC and that reconciliation is demonstrated and explained

The directors confirm that the Financial Statements for the year ended 31 March 2016 have been prepared in accordance with the requirements of the relevant conditions.

P Simpson

Chief Financial Officer 25 July 2016

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

We have audited the Regulatory Accounts of KCOM Group PLC ("the company") for the year ended 31 March 2016 which comprise the statement of current cost mean capital employed for each market as at 31 March 2016, the current cost profit and loss account for each market for the year then ended and the related notes to the Regulatory Accounts. The financial reporting framework that has been applied in their preparation comprises the basis of preparation and accounting policies set out in the Statement of Accounting Policies.

This report is made, on terms that have been agreed, solely to the company and the Regulator in order to meet the requirements of "The regulatory financial reporting obligations on BT and Kingston Communications" published by Ofcom on 22 July 2004 ("the Obligations"). Our audit work has been undertaken so that we might state to the company and the Regulator those matters that we have agreed to state to them in our report, in order (a) to assist the Company to meet its obligation under the Regulatory Licence to procure such a report and (b) to facilitate the carrying out by the Regulatory functions, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the Regulator, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Directors and Auditor

As explained more fully in the Directors' Responsibility Statement set out on page 3, the directors are responsible for the preparation of the Regulatory Accounts.

Our responsibility is to audit and express an opinion on the Regulatory Accounts in accordance with International Standards on Auditing (UK and Ireland), except as stated in the "Scope of the audit of the Regulatory Accounts" section below and having regard to the guidance contained in ICAEW Technical Release TECH 02/16AAF Reporting to regulators on regulatory accounts. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the Regulatory Accounts

An audit involves obtaining evidence about the amounts and disclosures in the Regulatory Accounts sufficient to give reasonable assurance that the Regulatory Accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed and the reasonableness of significant accounting estimates made by the directors. In addition, we read all the financial and non-financial information in the Regulatory Accounts to identify material inconsistencies with the audited Regulatory Accounts and to identify any information that is ap parently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent misstatements or inconsistencies we consider the implications for our report.

We have not assessed whether the accounting policies are appropriate to the circumstances of the company where these are laid down by the Obligations. Where the Obligations do not give specific guidance on the accounting policies to be followed, our audit includes an assessment of whether the accounting policies adopted in respect of the transactions and balances required to be included in the Regulatory Accounts are consistent with those used in the preparation of the statutory financial statements of the company. Furthermore, as the nature, form and content of Regulatory Accounts are determined by the Regulator, we did not evaluate the overall adequacy of the presentation of the information, which would have been required if we were to express an audit opinion under International Standards on Auditing (UK and Ireland).

Opinion on Regulatory Accounts

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

fairly present, in accordance with the Description of Cost Accounting System dated 25 July 2016 and the accounting policies s et out on pages 47 to 49, the results and capital employed by each of the markets for the year ended 31 March 2016; and

have been properly prepared in accordance with "The regulatory financial reporting obligations on BT and Kingston Communications" published by Ofcom on 22 July 2004 ("the O bligations") and the accounting policies.

Emphasis of matter - basis of preparation

Without modifying our opinion, we draw attention to the fact that the Regulatory Accounts have been prepared in accordance with Obligations and the accounting policies set out in the statement of accounting policies. The nature, form and content of Regulatory Accounts are determined by the Regulator. It is not appropriate for us to assess whether the nature of the information being reported upon is suitable or appropriate for the Regulator's purposes. Accordingly we make no such assessment.

The Regulatory Accounts are separate from the statutory financial statements of the Company and have not been prepared under the basis of International Financial Reporting Standards as adopted by the European Union ("IFRS"). Financial information other than that prepared on the basis of IFRS does not necessarily represent a true and fair view of the financial performance or financial position of a company as shown in statutory financial statements prepared in accordance with Companies Act 2006.

Opinion on other matters prescribed by the Obligations

Under the terms of our contract we have assumed responsibility to provide those additional opinions required by Obligation in relation to the accounting records. In our opinion:

Proper accounting records have been kept by the; and

the Regulatory Accounts are in agreement with the accounting records and returns retained for the purpose of preparing the Regulatory Accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where under ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Obligations is:

materially inconsistent with the information in the audited financial statements; or apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the directors' statement that they consider the Regulatory accounts is fair, balanced and understandable and whether the Regulatory Accounts is appropriately discloses those matters that we communicated to the audit committee which we consider should have been disclosed.

Other matters

Our opinion on the Regulatory Accounts is separate from our opinion on the statutory financial statements of the Company for the year ended 31 March 2016 on which we reported on 08 June 2016, which are prepared for a different purpose. Our audit report in relation to the statutory financial statements of the Company (our "Statutory audit") was made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our Statutory audit work was undertaken so that we might state to the Company's members those matters we are required to state to them in a statutory audit report and for no other purpose. In these circumstances, to the fullest extent permitted by law, we do not accept or assume responsibility for any other purpose or to any other person to whom our Statutory audit report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors,

Prienateshouse Coopes Lyp

Leeds

25 July 2016

Rounding of Presented Numbers

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

Kingston Wholesale Markets Consolidation Statement

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	30,357	94%	29,765	95%	2%
External Sales	1,783	6%	1,698	5%	5%
Total Turnover	32,140	100%	31,463	100%	2%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	11,910	62%	11,344	65%	5%
- Provision & Installation	34	0%	34	0%	1%
- Outpayments	62	0%	67	0%	-8%
- Depreciation - Other Costs	6,171 1,092	32% 6%	4,934 1,166	28% 7%	25% -6%
- Other Costs	1,092	078	1,100	7 70	-070
Sub total operating expenditure	19,269	100%	17,545	100%	10%
CCA adjustments:					
Holding gain	(193)		82		-334%
Supplementary depreciation	1,583		2,556		-38%
Total operating costs	20,660		20,183		2%
Return	11,481		11,280		2%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
ioi allo your oridou ori maiori 2010	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	36%		36%		0%

Kingston Wholesale Markets Consolidation Statement

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	3,928	3,945	0%
- Duct	43,771	43,507	1%
- Transmission Equipment	33,570	33,088	1%
- Exchange Equipment	3,456	2,399	44%
- Other	1,050	1,077	-2%
Total fixed assets	85,775	84,016	2%
Current assets			
Stocks	2,303	1,495	54%
Debtors			
- internal	3,110	3,050	2%
- external	124	118	4%
Total current assets	5,536	4,663	19%
Creditors: amounts falling due within one year Other creditors			
- internal	(1,770)	(1,612)	10%
Total creditors: amounts falling due within one year	(1,770)	(1,612)	10%
Net current assets	3,766	3,052	23%
Total assets less current liabilities	89,541	87,068	3%
Closing capital employed	89,541	87,068	3%

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

CURRENT COST PROFIT AND LOSS ACCOUNT

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	24,195	94%	24,022	94%	1%
External Sales	1,468	6%	1,417	6%	4%
Total Turnover	25,662	100%	25,439	100%	1%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	7,871	58%	7,401	60%	6%
- Provision & Installation	34	0%	34	0%	1%
- Outpayments	62	0%	67	1%	-8%
- Depreciation	4,638	34%	3,730	30%	24%
- Other Costs	1,033	8%	1,101	9%	-6%
Sub total operating expenditure	13,637	100%	12,333	100%	11%
CCA adjustments:					
Holding gain	(590)		(183)		223%
Supplementary depreciation	1,980		2,768		-28%
Total operating costs	15,027		14,918		1%
Return	10,635		10,520		1%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
To the your chaca of March 2010	%		2013 %		%
	70		70		70
Return on mean capital employed	13%		13%		0%
Return on turnover	41%		41%		0%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	3,457	3,476	-1%
- Duct	41,318	41,096	1%
- Transmission Equipment	32,588	32,273	1%
- Exchange Equipment	1,655	1,359	22%
- Other	204	291	-30%
Total fixed assets	79,222	78,496	1%
Current assets			
Stocks	1,862	1,206	54%
Debtors			
- internal	2,479	2,461	1%
- external	124	118	4%
Total current assets	4,465	3,785	18%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(1,253)	(1,133)	11%
Total creditors: amounts falling due within one year	(1,253)	(1,133)	11%
Net current assets	3,212	2,652	21%
Total assets less current liabilities	82,434	81,149	2%
	,		
Closing capital employed	82,434	81,149	2%

Regulatory Financial Review

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

The analogue exchange line services market provides analogue lines to residential and business consumers within the Hull regulatory area. Line numbers declined a further 1% over 2015/16 as fixed line voice services are substituted by alternative communications including IP and mobile.

Number of Lines or Circuits

2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
182,560	-2%	178,031	0%	178,496	-2%	175,690	-2%	171,994	-1%	169,783

Internal revenue £22.4m (2014/15 : £22.2m).

External wholesale revenue of £0.7m (2014/15: £0.6m) reflects a 3% increase in the contribution from reseller customers within the Hull area. Reseller analogue line take-up has not increased markedly from year to year, reflecting the level of interest in a declining market.

Operating costs have remained stable year on year:

HCA maintenance costs increased £0.5m (7%) year on year, reflecting cost allocation relative to other products utilising similar components. Depreciation charges increased £0.8m. This is offset by CCA adjustments. Other costs have declined 5%.

Mean capital employed has increased by £0.9m (1%).

Overall unit costs per line have increased by 2.3%

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

CURRENT COST PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2016 £k % per line £k % per line % Change 2016 item/total 2015 item/total Year on Year Turnover 22,394 Internal Sales 97% 22.199 97% 1% **External Sales** 664 3% 630 5% 0% **Total Turnover** 100% 22.829 100% 1% 23.058 **Operating costs** Operating costs of Wholesale Market - Maintenance 58% 6.351 7% 6.803 61% - Provision & Installation 3% 10 0% 10 0% - Outpayments 61 1% 67 1% -8% - Depreciation 3,108 3.906 34% 30% 26% - Other Costs 868 7% 915 9% -5% Sub total operating expenditure 11,650 100% 10,450 100% 11% CCA adjustments: Holding gain 171% (527)(195)Supplementary depreciation 1,961 -28% 2,713 **Total operating costs** 13,083 12,968 1% 9,974 9,861 1% Return RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER for the year ended 31 March 2016 2016 2015 % % % Return on mean capital employed 13% 13% 0% 43% 43% 0% Return on turnover

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED for the year ended 31 March 2016 £k % Change £k 2016 2015 Fixed assets Tangible fixed assets - Land & Buildings 1,661 1,700 -2% - Duct 39,942 39,645 1% - Transmission Equipment 1% 31,858 31,564 - Exchange Equipment 31% 755 575 - Other -37% 77 123 **Total fixed assets** 74,292 73,608 1% **Current assets** Stocks 1,729 1,117 55% Debtors - internal 2,294 2,274 1% 68 65 5% - external 4,092 3,456 18% Total current assets Creditors: amounts falling due within one year Other creditors (1,070)- internal (960)11% Total creditors: amounts falling due within one year (1,070)(960)11% 3,021 2,496 21% Net current assets Total assets less current liabilities 77,314 76,104 2% Closing capital employed 77,314 2%

76,104

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Analogue Exchange Lines

Fully Allocated Cost		Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	939	4	(30)	913	1,958	13%	255	1,168	169,783	£6.88
Exchange-exchange transmission length	215	39	(10)	244	1,451	13%	189	433	169,783	£2.55
PPP for narrowband call services	868	-	-	868	-	13%	-	868	169,783	£5.11
Local Loop Infrastructure	9,628	1,917	(487)	11,058	73,299	13%	9,529	20,587	169,783	£121.25
Totals	11,650	1,961	(527)	13,083	76,709		9,972	23,056		£135.79
Network Activity Statement for year ended 31st March 2015										
Prior year Exchange concentrator	913	(05)	(18)	890	1,866	13%	243	1,133	171,994	£6.59
Prior year Exchange-exchange transmission length	185	55	(4)	236	1,440	13%	187	423	171,994	
PPP for narrowband call services	915	-	-	915	-	13%	-	915	171,994	
Local Loop Infrastructure	8,437	2,662	(172)	10,927	72,550	13%	9,431	20,358	171,994	
Totals	10,450	2,713	(195)	12,968	75,855		9,861	22,829		£132.73

Regulatory Financial Review

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

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

ISDN 2 circuits continued their decline in 2015/16 and now exhibit a compound annual decline of 10% over the past six years. These are legacy circuits and are being superceded by FTTP/C high bandwidth connectivity, with take-up of the latter, in conjunction with client lifecycle decisions on termination of legacy applications such as PBX, to drive increasing substitution over time.

Number of Lines or Circuits

2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
3,494	9%	3,795	-8%	3,481	-13%	3,012	-19%	2,438	-15%	2,077

Overall revenue has declined 12% year on year with the fall in internal revenue being partially offset by the 5% increase in revenue driven by reseller activity.

Operating costs have declined by 10% year on year.

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

Unit circuit costs have increased 3.5% year on year to £202 p.a.

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016 % per line % per line % Change £k £k 2016 item/total 2015 item/total Year on Year Turnover Internal Sales 192 46% 258 54% -26% **External Sales** 228 54% 218 46% 5% **Total Turnover** 420 100% 476 100% -12% Operating costs Operating costs of Wholesale Market - Maintenance 135 52% 146 54% -8% - Provision & Installation 2 1% 3 1% -13% - Depreciation 92 100 38% 34% 9% - Other Costs 22 27 10% -18% 9% Sub total operating expenditure 259 100% 267 100% -3% CCA adjustments: Holding gain (7) (3) 118% Supplementary depreciation -42% 26 45 **Total operating costs** 278 309 -10% 142 Return 167 -15% RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER for the year ended 31 March 2016 2016 2015 % % Return on mean capital employed 13% 13% 0% 34% 35% Return on turnover -1%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED for the year ended 31 March 2016 £k % Change £k 2016 2015 Fixed assets Tangible fixed assets - Land & Buildings 74 -12% 65 - Duct 489 562 -13% - Transmission Equipment 390 447 -13% - Exchange Equipment 13% 9 8 - Other -36% 11 18 **Total fixed assets** 1,109 964 -13% **Current assets** Stocks 38 28 35% **Debtors** 26 - internal 20 -26% 22 23 5% - external 77 5% Total current assets 81 Creditors: amounts falling due within one year Other creditors (24)(25)-3% - internal Total creditors: amounts falling due within one year (24)(25)-3% 57 52 9% Net current assets Total assets less current liabilities 1,021 1,161 -12% Closing capital employed 1,021 -12% 1,161

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

ISDN 2 Lines

IODIT 2 LINCS			•							
Fully Allocated Cost	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
•										
Exchange concentrator	23	1-	(1)	22	1	13%	-	22	2,077	£10.81
Exchange-exchange transmission length	3	1		3	-	13%	-	3	2,077	
PPP for narrowband call services	12	-	-	12	-	13%	-	12	2,077	£5.85
Local Loop Infrastructure	221	24	(5)	240	1,090	13%	142	382	2,077	£183.86
Totals	259	26	(7)	278	1,091		142	420		£202.15
Network Activity Statement for year ended 31st March 2015										
Exchange concentrator	26	2	(1)	27	3	13%		27	2,438	£11.21
Exchange-exchange transmission length	3	1		4	-	13%	-	4	2,438	£1.51
PPP for narrowband call services	16	-	-	16	-	13%	-	16	2,438	£6.39
Local Loop Infrastructure	223	41	(2)	263	1,284	13%	167	429	2,438	
Totals	267	45	(03)	309	1,287		167	476		£195.26

Regulatory Financial Review

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

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

Number of Lines or Circuits

2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
1,200	2%	1,228	0%	1,229	-1%	1,215	-3%	1,175	-3%	1,145

ISDN 30 circuit volumes declined for the third consecutive year in 2015/16, falling by 3%. The expansion of FTTP (fibre to the premises) is increasingly impacting connectivity choices in this market and has driven some limited substitution during the reporting period.

Reseller activity has increased in this market with sales from external sources increasing 5% year on year. Internal sales, driven by the return on mean capital employed, increased slightly. The overall cost base has been increased by a 9% rise in associated maintenance costs.

Unit circuit costs have increased by 10.5% year on year to £653 p.a. driven by a reduction in units sharing a fixed element of the dedicated cost base.

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	529	71%	486	70%	9%
External Sales	218	29%	208	30%	5%
Total Turnover	748	100%	694	100%	8%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	326	50%	299	52%	9%
- Provision & Installation	22	3%	21	4%	2%
- Depreciation	245	38%	194	34%	26%
- Other Costs	57	9%	60	10%	-5%
Sub total operating expenditure	650	100%	574	100%	13%
CCA adjustments:					
Holding (gain) / loss	(24)		(5)		358%
Supplementary depreciation	10		19		-46%
Total operating costs	637		588		8%
Return	111		106		5%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	15%		15%		0%

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

	£k 2016	£k 2015	% Change
Fixed assets	2010	2010	
Tangible fixed assets			
- Land & Buildings	153	161	-4%
- Duct	269	271	-1%
- Transmission Equipment	309	235	31%
- Exchange Equipment	5	4	29%
- Other	57	46	26%
Total fixed assets	795	716	11%
Current assets			
Stocks	95	60	58%
Debtors			
- internal	54	50	9%
- external	22	21	5%
Total current assets	172	131	31%
Creditors: amounts falling due within one year Other creditors			
- internal	(60)	(53)	13%
Total creditors: amounts falling due within one year	(60)	(53)	13%
Net current assets	112	79	42%
Total assets less current liabilities	907	795	14%
Closing capital employed	907	795	14%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Business ISDN 30 Lines

Fully Allocated Cost	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of Business	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	55	2	(3)	53	203	13%	26	79	1,145	£69.28
Exchange-exchange transmission link	-	(0)	-	-	-	13%	-	-	1,145	
Exchange-exchange transmission length		-	-	1	11	13%	1	3	1,145	
PPP for narrowband call services	57	-	-	57	-	13%	-	57	1,145	£49.42
Local Loop Infrastructure	538	9	(20)	526	637	13%	83	609	1,145	
Totals	650	10	(24)	637	851		111	748		£652.99
Network Activity Statement										
for year ended 31st March 2015										
Exchange concentrator	55	5	(3)	58	215	13%	28	86	1,175	£72.86
Exchange-exchange transmission link	-	(0)	-	-	-	13%	-	-	1,175	£0.02
Exchange-exchange transmission length	1	-	-	1	13	13%	2	3	1,175	
PPP for narrowband call services	60	-	-	60	-	13%	-	60	1,175	£50.78
Local Loop Infrastructure	458	15	(3)	470	586	13%	76	546	1,175	
Totals	574	19	(5)	588	814		106	694		£590.68

Regulatory Financial Review

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

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

	2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
Minutes (Billions)	0.76	-6%	0.71	-8%	0.66	-8%	0.60	-14%	0.52	-10%	0.47

Call origination volumes continue to decline, currently averaging 10% p.a., representing an industry wide trend which reflects the increasing diversity of communications media.

Overall operating costs remained static. In combination with the significant reduction in call volume, this has driven unit costs up 10.6% to 0.308 pence per minute.

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	1,080	75%	1,079	75%	0%
External Sales	357	25%	361	25%	-1%
Total Turnover	1,437	100%	1,440	100%	0%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	607	56%	605	58%	0%
- Depreciation	386	36%	337	32%	15%
- Other Costs	86	8%	99	10%	-14%
Sub total operating expenditure	1,079	100%	1,041	100%	4%
CCA adjustments:					
Holding gain	(33)		20		-265%
Supplementary depreciation	(17)		(80)		105%
Total operating costs	1,029		1,053		-2%
Return	408		386		6%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2015	2016		2015		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	28%		27%		2%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED for the year ended 31 March 2016			
	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings - Duct	1,578 618	1,542 618	2% 0%
- Transmission Equipment	31	26	16%
- Exchange Equipment	886	772	15%
- Other	58	105	-45%
Total fixed assets	3,171	3,063	4%
Current assets			
Debtors			
- internal - external	111 10	111 10	0% -3%
Total current assets	120	121	0%
Creditors: amounts falling due within one year			
Other creditors - internal	(99)	(96)	4%
Total creditors: amounts falling due within one year	(99)	(96)	4%
Net current assets	21	25	-15%
Total assets less current liabilities	3,192	3,089	3%
Closing capital employed	3,192	3,089	3%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Call origination on fixed public narrowband networks

Fully Allocated Cost	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume ('000 Originating Call Minutes)	Average costs per min/unit (PPM) on a current cost basis relating to current year
Components										
Exchange concentrator	236	(50)	(49)	137	2,093	13%	272	410	467,224	0.0877
Exchange processor	502	9	(03)	508	250	13%	32	540	467,224	0.1157
Exchange-exchange transmission link	68	(28)	13	54	158	13%	20	75	467,224	0.0159
Exchange-exchange transmission length	92	52	6	150	639	13%	83	233	467,224	0.0498
National operator assistance	1	-	-	1	1	13%	-	1	467,224	0.0002
Emergency operator assistance	1	-	-	1	1	13%	-	1	467,224	0.0002
PPP for narrowband call services	179	-	-	179	-	13%	-	179	467,224	0.0383
Totals	1,078	(17)	(33)	1,029	3,140		408	1,437		0.3077
Network Activity Statement for year ended 31st March 2015										
Exchange concentrator	257	(63)	12	206	2,078	13%	270	476	517,706	0.0920
Exchange processor	449	2	2	453	171	13%	22	475	517,706	0.0918
Exchange-exchange transmission link	67	(13)	7	62	101	13%	13	75	517,706	0.0144
Exchange-exchange transmission length	81	66	(01)	146	621	13%	81	226	517,706	0.0437
National operator assistance	1	-	-	1	1	13%	-	1	517,706	0.0002
Emergency operator assistance	1	_	_	1	1	13%	_	1 1	517,706	0.0001
PPP for narrowband call services	186	-	-	186	-	13%	-	186	517,706	0.0359
Totals	1,041	(08)	20	1,054	2,972		386	1,440		0.2781

Regulatory Financial Review

Kingston Wholesale Market: Asymmetric Broadband Origination in the Hull Area

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

	2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
Circuit Nos	96,895	5%	101,717	4%	105,808	7%	112,976	6%	119,623	0%	120,122

Volumes have remained stable year on year

Costs associated with this market are independent of the local loop drivers most impacted by end premise connectivity. Investment has continued in the exchange asset base. Revenue has increased by 14%. This is offset by the associated increase in operating costs.

Unit costs have increased to £29 p.a.

Kingston Wholesale Market: Asymmetric Broadband Origination in the Hull Area

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	3,184	91%	2,789	91%	14%
External Sales	315	9%	281	9%	12%
Total Turnover	3,499	100%	3,070	100%	14%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	2,189	73%	2,163	76%	1%
- Depreciation - Other Costs	802 15	27% 0%	663 15	23% 1%	21% -3%
- Other Costs	15	0%	15	1%	-3%
Sub total operating expenditure	3,005	100%	2,841	100%	6%
CCA adjustments:					
Holding gain	380		110		-246%
Supplementary depreciation	(228)		(156)		46%
Total operating costs	3,157		2,795		13%
Return	342		275		24%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
,	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	10%		9%		1%

Kingston Wholesale Market: Asymmetric Broadband Origination in the Hull Area

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED for the year ended 31 March 2016			
	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	1	1	2%
- Duct	1,268	1,246	2%
- Exchange Equipment	1,504	871	73%
- Other	109	151	-28%
Total fixed assets	2,882	2,269	27%
Current assets			
Stocks	26	17	50%
Debtors			4.407
- internal	326	286	14%
Total current assets	352	303	16%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(276)	(261)	6%
Total creditors: amounts falling due within one year	(276)	(261)	6%
· · · · · · · · · · · · · · · · · · ·	,		
Net current assets	76	42	81%
Total assets less current liabilities	2,959	2,311	28%
Closing capital employed	2,959	2,311	28%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Asymmetric Broadband Origination in the Hull Area

Asymmetric broadband Origination		-								
		Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator Exchange-exchange transmission length PPP for narrowband call services Local Loop Infrastructure Totals	111 2,879 15 1 3,005	(8) (219) - - (228)	- 380 - - 380	103 3,039 15 1 3,157	98 2,537 - - 2,635	13% 13% 13% 13%	13 330 - - - 343	116 3,369 15 1 3,500	120,122 120,122 120,122 120,122	£28.04 £0.12
Network Activity Statement for year ended 31st March 2015								,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		
Exchange concentrator Exchange-exchange transmission length PPP for narrowband call services Local Loop Infrastructure	186 2,640 15 1	(10) (145) - -	- 110 - -	176 2,604 15 1	139 1,977 - -	13% 13% 13% 13%	18 257 - -	194 2,861 15 1	119,623 119,623 119,623 119,623	£23.92 £0.13 £0.01
Totals	2,841	(156)	110	2,795	2,116		275	3,070		£25.67

Regulatory Financial Review (Kingston)

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

The market for the provision of traditional interface symmetric broadband origination includes point-to-point circuits between 64kb/s and 2 Mb/s. Circuit numbers in the sub 2Mb/s category have also been declining for some years but the increasing capabilities of ethernet and other IP services is increasing the pace of substitution and have led to a 8% decline in circuit numbers during the year.

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2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
2,916	-3%	2,838	-6%	2,663	-13%	2,312	-26%	1,716	-8%	1,574

Revenues have declined 8% year on year driven by falling unit numbers. This market is likely to be susceptible to replacement by FTTP technology which, as it becomes more universal in its availability and, ultimately in a form supportive of point to point ethernet, is likely to hasten further the decline in the numbers of circuits, in particular the kiloline and kiloline n circuits.

HCA operating costs increased by 2% due to historic depreciation. This has been partially offset by the savings in maintenance costs.

Average unit costs (per line per annum) increased to £348 p.a.

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

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	549	100%	594	100%	-8%
Total Turnover	549	100%	594	100%	-8%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	189	54%	196	58%	-3%
- Depreciation	135	39%	118	35%	15%
- Other Costs	24	7%	27	8%	-12%
Sub total operating expenditure	348	100%	340	100%	2%
CCA adjustments:					
Holding loss	14		(1)		-2530%
Supplementary depreciation	(18)		29		-163%
Total operating costs	344		369		-7%
Return	205		225		-9%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2015	2016		2015		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	37%		38%		-1%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	227	230	-1%
- Duct	715	764	-6%
- Transmission Equipment	269	273	-1%
- Other	316	222	43%
Total fixed assets	1,528	1,488	3%
Current assets			
Stocks	52	37	42%
Debtors			
- internal	56	61	-8%
Total current assets	108	98	11%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(32)	(31)	2%
Total creditors: amounts falling due within one year	(32)	(31)	2%
Net current assets	76	66	15%
Total assets less current liabilities	1,604	1,554	3%
Closing capital employed	1,604	1,554	3%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

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

	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	7	1	(5)	3	535	13%	70	73	1,574	£46.28
Exchange-exchange transmission length	1	-	(0)	1	7	13%	1	2	1,574	I I
PPP for narrowband call services	24	-	-	24	-	13%	-	24	1,574	
Local Loop Infrastructure	317	(20)	19	316	1,037	13%	135	451	1,574	£286.21
Totals	348	(18)	14	344	1,579		205	549		£348.71
Network Activity Statement for the year ended 31 March 2015										
Exchange concentrator	16	1	(3)	13	504	13%	66	79	1,716	£45.89
Exchange-exchange transmission length	1	-	(0)	1	9	13%	1	2	1,716	£1.37
PPP for narrowband call services	27	-	-	27	-	13%	-	27	1,716	£15.59
Local Loop Infrastructure	297	28	3	328	1,222	13%	159	486	1,716	
Totals	340	29	(01)	369	1,735		226	594		£346.35

Regulatory Financial Review

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

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

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

Number of Circuits

2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
11	-14%	9.5	-5%	9	-11%	8	-31%	6	-45%	3

Internal revenues, generated by a 13% return on mean capital employed, declined 10%. Historical costs are impacted by a 10% reduction in attributable maintenance charges added to the CCA adjustments to record a 16% overall reduction in the cost base.

Overall unit costs p.a. increased to £32k

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	97	100%	107	100%	-10%
Total Turnover	97	100%	107	100%	-10%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	45	58%	50	60%	-10%
- Depreciation	28	36%	28	33%	-1%
- Other Costs	5	7%	6	7%	-14%
Sub total operating expenditure	78	100%	84	100%	-7%
CCA adjustments:					
Holding loss	9		3		188%
Supplementary depreciation	(19)		(6)		219%
Total operating costs	69		82		-16%
Return	28		25		9%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	29%		24%		5%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	89	90	0%
- Duct	2	4	-44%
- Transmission Equipment	2	-	
- Other	127	86	47%
Total fixed assets	220	179	23%
Current assets			
Stocks	12	9	27%
Debtors			
- internal	10	11	-10%
Total current assets	22	20	7%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(7)	(8)	-7%
Total creditors: amounts falling due within one year	(7)	(8)	-7%
Net current assets	14	12	16%
Total assets less current liabilities	234	192	22%
Closing capital employed	234	192	22%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

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

Wholesale Traditional Interface Syn	illieti ic Bioadi	paria Origination (0 - 40 MD)							
	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	,	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	1		(2)	(1)	216	13%	28	27	3	£9,116.61
Exchange-exchange transmission length	20	-	(0)	20	1	13%	-	20	3	£6,537.43
PPP for narrowband call services	5	-	-	5	-	13%	-	5	3	£1,704.68
Local Loop Infrastructure	53	(19)	11	45	(04)	13%	(0)	45	3	£14,867.40
Totals	78	(19)	9	69	213		28	97		£32,226.11
Network Activity Statement for year ended 31st March 2015										
Exchange concentrator	1	()	(1)	()	176	13%	23	22	6	£4,075.26
Exchange-exchange transmission length	27	=	-	27	1	13%	-	28	6	£5,016.88
PPP for narrowband call services	6	-	-	6	-	13%	-	6	6	£1,079.47
Local Loop Infrastructure	50	(06)	4	49	19	13%	2	51	6	£9,344.80
Totals	84	(06)	3	82	196		25	107		£19,516.41

Regulatory Financial Review

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

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

Although circuit numbers have remain stable significant requests for new services in this range are not expected as the alternatives continue to develop.

Number of	of Circ	uits
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2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
6.5	31%	8.5	0%	9	-18%	7	-43%	4	0%	4

This market is very similar to that of the 8 - 45Mb with low volumes and minimal movement year on year. Derived revenue has increased 3%. Operating costs are static.

Overall circuit unit costs increased to £29,634.

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	118	100%	115	100%	3%
Total Turnover	118	100%	115	100%	3%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	59	59%	55	60%	6%
- Depreciation	36	36%	30	33%	18%
- Other Costs	5	5%	6	7%	-14%
Sub total operating expenditure	99	100%	91	100%	9%
CCA adjustments:					
Holding loss	9		3		187%
Supplementary depreciation	(19)		(6)		219%
Total operating costs	90		89		2%
Return	28		26		8%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	24%		23%		1%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	89	90	0%
- Duct	4	4	2%
- Other	127	86	47%
Investments			
Total fixed assets	222	181	23%
Current assets			
Stocks	15	10	51%
Debtors			
- internal	12	12	3%
Total current assets	27	22	25%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(9)	(8)	9%
Total creditors: amounts falling due within one year	(9)	(8)	9%
Net current assets	18	13	36%
Total assets less current liabilities	241	194	24%
Closing capital employed	241	194	24%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Wholesale Traditional Interface Symmetric Broadband Origination (>45Mb)

Wholesale Traditional Interface Syn	illieti ic Bioadi	paria Origination (- TOIVID)							
	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	1		(2)	(1)	216	13%	28	27	4	£6,837.63
Exchange-exchange transmission length	41	-	(0)	41	3	13%	-	41	4	£10,267.76
PPP for narrowband call services	5	-	-	5	-	13%	-	5	4	£1,285.46
Local Loop Infrastructure	53	(19)	11	45	(02)	13%	()	45	4	£11,243.16
Totals	99	(19)	9	90	217		28	119		£29,634.00
Network Activity Statement for year ended 31st March 2015										
Exchange concentrator	1	(0)	(1)	()	176	13%	23	22	4	£5,603.21
Exchange-exchange transmission length	34	-	-	34	3	13%		35	4	£8,663.49
PPP for narrowband call services	6	-	-	6	-	13%	-	6	4	£1,486.61
Local Loop Infrastructure	50	(6)	4	49	22	13%	3	52	4	£12,926.31
Totals	91	(6)	3	89	200		26	115		£28,679.63

Regulatory Financial Review (Kingston)

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

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

Number of Circuits

2010/11		2011/12		2012/13		2013/14		2014/15		2015/16
1072	10%	1177.5	-5%	1,117	-5%	1,061	8%	1,143	25%	1,432

Revenue has increased by 4% which is in line with the increase in operating costs.

Annual average circuit costs have decreased to £1,547 p.a

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

CURRENT COST PROFIT AND LOSS ACCOUNT for the year ended 31 March 2016

	£k 2016	% per line item/total	£k 2015	% per line item/total	% Change Year on Year
Turnover					
Internal Sales	2,215	100%	2,137	100%	4%
Total Turnover	2,215	100%	2,137	100%	4%
Operating costs					
Operating costs of Wholesale Market					
- Maintenance	1,556	74%	1,479	80%	5%
- Depreciation	533	25%	365	20%	46%
- Other Costs	11	1%	11	1%	-1%
Sub total operating expenditure	2,100	100%	1,855	100%	13%
CCA adjustments:					
Holding (gain) / loss	(15)		150		-110%
Supplementary depreciation	(114)		(75)		52%
Total operating costs	1,972		1,930		2%
Return	243		208		17%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2016	2016		2015		
	%		%		%
Return on mean capital employed	13%		13%		0%
Return on turnover	11%		10%		1%

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

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	63	59	8%
- Duct	463	393	18%
- Transmission Equipment	710	542	31%
- Exchange Equipment	297	169	76%
- Other	168	241	-30%
Total fixed assets	1,701	1,403	21%
Current assets			
Stocks	335	216	55%
Debtors			
- internal	227	219	4%
Total current assets	562	435	29%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(193)	(170)	13%
Total creditors: amounts falling due within one year	(193)	(170)	13%
Net current assets	369	265	39%
Total assets less current liabilities	2,070	1,668	24%
Closing capital employed	2,070	1,668	24%

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Alternative Interface Symmetric Broadband Origination (All Bandwidths)

Alternative internate by infinetite bit	uabana engin	u	 							
	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year	Volume (No. of Business Lines)	Average costs per min/unit on a current cost basis relating to current year
Components										
Exchange concentrator	6	1	(1)	5	391	13%	51	56	1,432	
Exchange-exchange transmission length	2,023	(114)	(13)	1,896	389	13%	51	1,946	1,432	· ·
PPP for narrowband call services	11	-	-	11	-	13%	-	11	1,432	
Local Loop Infrastructure	60	-	-	60	1,090	13%	142	202	1,432	
Totals	2,100	(114)	(15)	1,972	1,869		243	2,215		£1,546.79
Network Activity Statement for year ended 31st March 2015										
Exchange concentrator	5	2-	(1)	7	338	13%	44	51	1,143	£44.47
Exchange-exchange transmission length	1,790	(77)	150	1,863	365	13%	47	1,911	1,143	
PPP for narrowband call services	11	-	-	11	-	13%	-	11	1,143	
Local Loop Infrastructure	49	-	-	49	898	13%	117	165	1,143	
Totals	1,855	(75)	150	1,930	1,601		208	2,138		£1,870.48

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 (D0CAS) dated 25th July 2016. The statutory financial statements for KCOM Group plc, for the year ended 31st March 2016 have been prepared, on which the auditors issued an unqualified report.

2. ACCOUNTING POLICIES

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

Basis of preparation

The current cost financial statements on pages 7 to 59 are prepared under the financial capital maintenance concept, in line with the DoCAS dated 31st July 2016 and in accordance with applicable United Kingdom accounting standards. The current cost statements for each of the businesses are prepared under this basis, although an adjustment for inflation to ordinary shareholders' funds is not attributed to each of the individual businesses.

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

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

Turnover

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

Notes to the Regulatory Financial Statements continued

Tangible fixed assets

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

- Freehold buildings 40 years
- Leasehold buildings and improvements Period of lease
- Exchange equipment 10 years
- External plant 10 to 20 years
- Vehicles, other apparatus and equipment 3 to 10 years
- Freehold land is not depreciated

Depreciation of network infrastructure and related equipment is provided for from the date the network comes into operation. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or where shorter, over the term of the relevant lease.

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

Stocks

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

Notes to the Regulatory Financial Statements continued

Foreign currencies

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

Leasing and hire purchase commitments

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

Pensions

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

Employee share schemes

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

3. INTER BUSINESS BALANCES

The Balance Sheet statements for the Businesses include balances relating to the charges from the Wholesale business to the Retail business, based on the Days Sales Outstanding (DSO) with Other Licenced Operators (OLO's) in 2015/16.

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

4. CORPORATE CENTRE COSTS

Included in the operating costs of the Businesses are £1,448k of recharged KCOM Group plc Corporate costs.

Kingston Wholesale Sales by Market Statement - External Sales for the year ended 31 March 2016

	Avera	ge NCC rates	ppm	opm NCC Traffic Minutes			24hr	Total Payments
	Day	Evening	Weekend	Day	Evening	Weekend	24111	£k
Kingston Wholesale Market: Analogue Exchange Line Services in the Hull Area								664
Kingston Wholesale Market: ISDN2 Exchange Line Services in the Hull Area								228
Kingston Wholesale Market :ISDN 30 Exchange Line Services in the Hull Area								218
Kingston Wholesale Market: Call Origination on Fixed Public Narrowband Networks in the Hull Area	1.5236	0.6976	0.5493	19,235	5,003	5,337	1.2081	357
Kingston Wholesale Market: Asymmetric Broadband Origination in the Hull Area								315
Kingston Wholesale Market: Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & including 8 Mb/s								-
Kingston Wholesale Market: Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MB/s & up to & including 45 Mb/s								-
Kingston Wholesale Market: Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 45 MB/s & up to & including 155 Mb/s								-
Kingston Wholesale Market: Provision of Alternative Interface Symmetric Broadband Origination at all Bandwidths within the Hull area								-
								1,783

Kingston Wholesale Sales by Market Statement - Internal Sales for the year ended 31 March 2016

Tor the year ended 31 March 2010	Average NCC rates ppm			NCC Traffic Minutes			24hr	Total	Total Payments
	Day	Evening	Weekend	Day	Evening	Weekend	24111	Charge £k	-
Kingston Wholesale Market: Analogue Exchange Line Services in the Hull Area									22,394
Kingston Wholesale Market : ISDN 2 Exchange Line Services in the Hull Area									192
Kingston Wholesale Market :ISDN 30 Exchange Line Services in the Hull Area									529
Kingston Wholesale Market : Call Origination on Fixed Public Narrowband Networks in the Hull Area	0.3111	0.1424	0.1122	284,646	74,029	78,974	0.2467		1,080
Kingston Wholesale Market : Asymmetric Broadband Origination in the Hull Area									3,184
Kingston Wholesale Market: Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity up to & including 8 Mb/s									549
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 8 MB/s & up to & including 45 Mb/s									97
Kingston Wholesale Market : Provision of Traditional Interface Symmetric Broadband Origination with a Bandwidth Capacity Above 45 MB/s & up to & including 155 Mb/s									118
Kingston Wholesale Market: Provision of Alternative Interface Symmetric Broadband Origination at all Bandwidths within the Hull area									2,215
									30,357

Kingston Reconciliation Statement

Consolidated profit and loss account for the year ended 31 March 2016

Market/Area	Turnover £k	Operating Costs £k	HCA Return or Profit after taxation £k	Holding gain/(loss) and other Adjustments £k	Supplem- entary depreciation £k	CCA Return or Profit Before Taxation £k
		(,,,,,,,,)			(, ===)	
Wholesale Markets (where cost accounting and/or accounting separation obligations apply) Retail Markets (where cost accounting obligations apply)	32,140	(19,269)	12,871	193	(1,583)	11,481 -
Sub Total SMP Markets	32,140	(19,269)	12,871	193	(1,583)	11,481
Residual activities - Wholesale residual activities - Retail residual activities	- 95,731	- (65,067)	- 30,663	- (69)	- (1,094)	- 29,500
Total	127,871	(84,336)	43,535	124	(2,678)	40,981
Adjustments (as necessary) Elimination of Inter Business turnover and costs Other operating income & costs Finance Costs Share from Associate Taxation	(30,357) 251,709 - - -	35,613 (208,715) (3,057) 16 (17,609)	5,256 42,994 (3,057) 16 (17,609)			
Profit for the year attributable to owners of the parent	349,222	(278,088)	71,134			

Kingston Reconciliation Statement

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

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

Kingston Reconciliation statement

Consolidated mean capital employed for the year ended 31 March 2016	2016 £k	2015 £k	% Change
Fixed assets			
Tangible fixed assets (identifying asset categories where the value exceeds 10% of total fixed asset base) - Land & Buildings	5,916	5,779	2%
- Duct	52,586	55,073	-5%
- Transmission Equipment	39,940	41,487	-4%
- Exchange Equipment - Other	4,766 1,182	3,507	36% -7%
- Other	1,102	1,277	-1 70
Total fixed assets	104,389	107,123	-3%
Current assets			
Stocks Debtors	2,374	1,548	53%
-internal	3,164	3,102	2%
- external	9,921	9,733	2%
Total current assets	15,459	14,384	7%
Creditors: amounts falling due within one year			
Other creditors - internal	(2,200)	(1,964)	12%
- external	(5,352)	(5,522)	-3%
Total creditors: amounts falling due within one year	(7,551)	(7,486)	1%
Total diseases. arrisente familig dus Maint one year	(1,001)	(1,100)	170
Net current assets	7,908	6,898	15%
Total assets less current liabilities	112,297	114,021	-2%
Closing capital employed	112,297	114,021	-2%
	*	*	

Kingston Retail Residual Activities Reconciliation

CURRENT COST PROFIT AND LOSS ACCOUNT

	£k	% per line	£k	% per line	% Change
	2016	item/total	2015	item/total	Year on Yea
Turnover	95,731		93,982		2%
Operating costs					
Charges from Kingston Wholesale Markets					
- wholesale Call Origination	6,790		7,272		-7%
- wholesale Network Maintenance	31,018		30,217		3%
- wholesale PP&P (Corporate Charges)	1,203		1,283		-6%
Operating costs of Retail Market					
- Marketing	3,832	15%	4,386	16%	-13%
- Sales	2,181	8%	1,888	7%	15%
- Finance & Billing	1,630	6%	2,112	8%	-23%
- Customer Services	5,020	19%	4,766	18%	5%
- Customer Product Maintenance	796	3%	790	3%	1%
- Network Maintenance	2,206	8%	2,018	8%	9%
- Bad Debts	864	3%	854	3%	1%
- PP&P	1,575	6%	1,726	6%	-9%
- Depreciation	2,956	11%	2,914	11%	1%
- Other Costs	4,998	19%	5,296	20%	-6%
Sub total operating expenditure	26,057	100%	26,750	100%	-3%
CCA adjustments:					
Holding loss / (gain)	69		959		-93%
Supplementary depreciation	1,094		624		75%
Total operating costs	66,230		67,105		-1%
Return	29,500		26,877		10%
RETURN ON MEAN CAPITAL EMPLOYED AND TURNOVER					
for the year ended 31 March 2015	2015 %		2015 %		%
Return on mean capital employed	119%		100%		19%
Total i on moun capital employed	11970		100 /8		1970
Return on turnover	31%		29%		2%

Kingston Retail Residual Activities Reconciliation

STATEMENT OF CURRENT COST MEAN CAPITAL EMPLOYED

	£k 2016	£k 2015	% Change
Fixed assets			
Tangible fixed assets			
- Land & Buildings	1,988	1,834	8%
- Duct	8,815	11,567	-24%
- Transmission Equipment	6,370	8,399	-24%
- Exchange Equipment	1,310	1,108	18%
- Other	131	200	-34%
Total fixed assets	18,614	23,107	-19%
Current assets			
Stocks	72	53	35%
Debtors			
- internal	54	52	3%
-external	9,797	9,615	2%
Total current assets	9,923	9,720	2%
Creditors: amounts falling due within one year			
Other creditors			
- internal	(429)	(352)	22%
- external	(5,352)	(5,522)	-3%
Total creditors: amounts falling due within one year	(5,781)	(5,874)	-2%
Net current assets	4,142	3,846	8%
Total assets less current liabilities	22,756	26,953	-16%
Closing capital employed	22,756	26,953	-16%

Kingston Inter Market Turnover (Reconciliation) for year ended 31 March 2016

		NII	igston i	nter Mari	ket Turno	ver (Rec	onciliation) to	or year ended	31 March 201	6							
	Wholesale analogue exchange line services in the Hull Area	Wholesale ISDN2 exchange line services in the Hull Area	Wholesale ISDN30 exchange line services in the Hull Area	Call origination on fixed public narrowband networks in the Hull Area + Call split (right)	Wholesale unmetered narrowband Internet termination for Internet traffic originating in the Hull Area	Asymmetric broadband origination in the Hull Area	Provision of traditional interface symmetric broadband origination with a bandwidth capacity up to and including 8 megabits	Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 8 megabits up to 45 megabits	Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 45 megabits up to 155 megabits	Provision of alternative interface symmetric broadband origination at all bandwidths within the Hull Area	Residential analogue exchange line services in the Hull Area	Residential ISDN2 exchange line services in the Hull Area	Business ISDN30 exchange line services in the Hull Area	Residual Activities	Residual Wholesale	Residual Retail	Total
	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k	£k
Turnover originating in:																	
Wholesale analogue exchange line services in the Hull																	
Area	664	-	-	-	-	-	-	-	-	-	-	-	-	-	22,394	-	23,058
Wholesale ISDN2 exchange line services in the Hull Area	-	228		-	-	-	-	-	-	-	-		-	-	192	-	420
Wholesale ISDN30 exchange line services in the Hull Area	-	-	-	-	-	-	-	i	-	ı	-	-	218	-	529	-	748
Call origination on fixed public narrowband networks in																	
the Hull Area + Call Split Below	-	-	-	357	-	-	-	-	-	-	-	-	-	-	1,080	6,521	7,958
Wholesale unmetered narrowband Internet termination for																	
Internet traffic originating in the Hull Area	-	-	-	-	-		-	-	-	-	-	-	-	-	-	-	-
Asymmetric broadband origination in the Hull Area	-	-	-			315	-	-	-	-	-	-	-	-	3,184	34,245	37,743
Provision of traditional interface symmetric broadband origination with a bandwidth capacity up to and including 8 megabits	-	-	-				-	-	-	-	-	-	-	-	549	2,398	2,947
Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 8 megabits up to 45 megabits	-	-	-				-	-	-	-	-	-	-	-	97	30	127
Provision of traditional interface symmetric broadband origination with a bandwidth capacity above 45 megabits up to 155 megabits Provision of alternative interface symmetric broadband	-	-	-				-	-	-	-	-	-	-	-	118	193	311
origination at all bandwidths within the Hull Area	_	_	_				_		_		_			_	2,215	12,805	15,020
Analogue exchange line services in the Hull Area	-	-	-				-	-	-	-	-	-	-	-	2,215	36,735	36,735
ISDN2 exchange line services in the Hull Area	-	-	-				-	-	-	-	-	-	_	-	-	(207)	(207)
Business ISDN30 exchange line services in the Hull Area	-	-	-				-	_	-	_	-		_	_		(218)	(218)
Residual Activities	-	-	-				-	-	-	-	-	-	-	3,228	_	(210)	3,228
Residual Wholesale	22,394	192	529	1,080	-	3,184	549	97	118	2,215	-	-	-	-	-	-	-
Residual Retail	-	-	-	6,521	-	34,245	2,398	30	193	12,805	36,735	(207)	(218)	-	-	-	-
Total	23,058	420	529	7,958		37,743	2,947	127	311	15,020	36,735	(207)		3,228			127,871

Kingston Statement of Costs on a Current Cost Basis

Network Activity Statement for the year ended 31 March 2016

Network Activity Statement - Consolidated

Network Activity Statement - Cons	Tidated				I	1	1	1
Fully Allocated Cost	HCA operating cost	Supplementary Depreciation	Holding gain and other CCA adjustments	Total CCA operating costs	CCA mean capital employed	Applicable rate of return on capital %	Capital costs	Total of operating costs and capital costs relating to current year
Exchange concentrator	1,379	(49)	(94)	1,235	5,711	13%	742	1,978
Exchange processor	502	9	(03)	508	250	13%	32	540
Exchange-exchange transmission link	68	(28)	13	54	158	13%	20	75
Exchange-exchange transmission length	5,274	(242)	363	5,395	5,037	13%	655	6,050
National operator assistance	1			1	1	13%		1
Emergency operator assistance	1			1	1	13%		1
PPP for narrowband call services	1,175			1,175		13%		1,175
Local loop infrastructure	10,870	1,893	(472)	12,291	77,147	13%	10,029	22,320
Totals	19,269	1,584	(193)	20,660	88,305		11,480	32,139
Network Activity Statement								
for year ended 31st March 2015								
Exchange concentrator	1,460	(69)	(16)	1,375	5,494	13%	714	2,089
Exchange processor	449	2	2	453	171	13%	22	475
Exchange-exchange transmission link	67	(13)	7	62	101	13%	13	75
Exchange-exchange transmission length	4,763	(100)	254	4,917	4,429	13%	576	5,493
National operator assistance	1	-	-	1	1	13%	-	1
Emergency operator assistance	1	-	-	1	1	13%	-	1
PPP for narrowband call services	1,241	-	-	1,241	-	13%	-	1,241
Local loop infrastructure	9,564	2,735	(166)	12,134	76,581	13%	,	22,089
Totals	17,545	2,556	82	20,183	86,777		11,281	31,464

Kingston Network Services Reconciliation for the year ended 31 March 2016

Consolidation Statement

Fully Allocated Cost		Analogue Exchange Lines	ISDN2 Lines	Business ISDN30 Lines	Call Origination	Traditional Interface <=8Mb/s	Traditional Interface 8- 45Mb/s	Traditional Interface >45Mb	Alternative Interface All Mb/s	ADSL	Total
Components											
	Unit of Measure	Lines	Lines	Lines	Cal Minutes	Lines	Lines	Lines	Lines	Lines	
	Volume (where relevant)	169,783	2,077	1,145	467,223,883	1,574	3	4	1,432	120,122	
Exchange concentrator	Ave cost per unit (adjusted by usage factor)	£6.88	£10.81	£69.28	0.09	£46.28	£9,116.61	£6,837.63	£39.07	£0.96	
	Total cost £k	1,168	22	79	410	73	27	27	56	116	1,978
Exchange processor	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0000	0.115654	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				540						540
Exchange-exchange transmission link	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0206	0.015950	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				75						75
Exchange-exchange transmission length	Ave cost per unit (adjusted by usage factor)	£2.55	£1.62	£2.55	0.049834	£1.27	£6,537.43	£10,267.76	£1,359.19	£28.04	
	Total cost £k	433	3	3	233	2	20	41	1,946	3,369	6,050
National operator assistance	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0000	0.000156	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				1						1
Emergency operator assistance	Ave cost per unit (adjusted by usage factor)	£0.0000	£0.0000	£0.0000	0.000151	£0.0000	£0.0000	£0.0000	£0.0000	£0.0000	
	Total cost £k				1						1
PPP for narrowband call services	Ave cost per unit (adjusted by usage factor)	£5.11	£5.85	£49.42	0.038264	£14.95	£1,704.68	£1,285.46	£7.47	£0.12	
	Total cost £k	868	12	57	179	24	5	5	11	15	1,175
Local Loop Infrastructure	Ave cost per unit (adjusted by usage factor)	£121.25	£183.86	£531.71	0.000000	£286.21	£14,867.40	£11,243.16	£141.06	£0.01	
	Total cost £k	20,587	382	609		451	45	45	202	1	22,320
Totals		23,056	420	748	1,437	549	97	119	2,215	3,500	32,140
				•							