

KCOM Group Limited

Annual report and financial statements

for the year ended 31 March 2024

Company number

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KCOM GROUP LIMITED

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KCOM GROUP LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

Directors

Name of Director	Date of appointment	Date of resignation
Achal Anil Kumar Arora	29/06/2023	N/A
Johan Eric Dannelind	23/05/2022	N/A
John Bernard Fitzgerald	18/10/2019	31/05/2024
Fiona Claire Goldsmith	28/04/2022	N/A
Nathan Andrew Luckey	18/10/2019	25/01/2024
Jaap Postma	28/01/2020	N/A
Tim Shaw	28/04/2022	N/A
Pauline Mary Walsh	01/03/2024	N/A

Registered office

KCOM Group Limited
37 Carr Lane
Hull
HU1 3RE
United Kingdom

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Central Square, 29 Wellington Street
Leeds
LS1 4DL
United Kingdom

KCOM GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

The directors present their Strategic report and the audited consolidated financial statements of KCOM Group Limited and its subsidiaries (together the 'Group') for the year ended 31 March 2024.

Business review

The past year has been one of focussing on our key strengths as a leading regional broadband provider and ensuring the business has the right foundations in place to deliver success in the future. In particular, we took steps to bring our Wholesale and Business functions together under a strengthened leadership team, expanded prudently as a responsible investor and worked hard to deliver the best possible customer experience.

The Group continues to deliver sustainable growth despite a backdrop of economic uncertainty, high inflation and rising costs during the past 12 months. We have recorded another solid year of results driven by an encouraging uptake of full fibre broadband services within our traditional heartland areas as well as winning new customers in our expansion areas.

The Group marks its 120th anniversary in 2024 and we remain at the heart of the communities we serve. We're passionate about supporting local people, groups and businesses and have a considerable presence within Hull, East Yorkshire and North Lincolnshire, delivering community support, grants and donations every year.

Future developments

We look to continue upgrading our network across the region to future proof full fibre, providing sector leading products, services and connectivity for our customers.

Key performance indicators

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

	2024	*Restated 2023
	£'000	£'000
Revenue	101,889	100,925
EBITDA*	42,397	39,877
(Loss)/Profit before tax	(1,621)	5,841

*Alternative performance measures used throughout the Annual report and financial statements are defined and reconciled to statutory measures in the Glossary on page 50.

* See note 4 for further details.

The Group has not disclosed non-financial key performance indicators as the directors' believe that the information is seriously prejudicial to the commercial interests of the Group.

KCOM GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

Managing risk in our business

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

Wellbeing, health and safety	
<p>Why is it important?</p> <p>The wellbeing, health and safety (H&S) of our people is of paramount importance to us. We have a number of people who undertake high risk activities, such as working at height, working in confined spaces etc.</p> <p>It is important to us to mitigate wellbeing, health and safety risk as far as possible to try to prevent incidents from occurring.</p>	<p>What are we doing to mitigate the risk?</p> <p>We have an in-house wellbeing, health and safety team with significant experience of wellbeing, health and safety issues specific to our industry. We have a comprehensive training programme in place which provides general training to our employees through mandatory e-learning, and specific training to those who undertake higher risk activities.</p> <p>Our Executive Leadership Team and Board members regularly attend site safety walks. The Health, Safety and Environmental Sustainability Sub-Committee continues to monitor performance against expected safety standards and ensure that policies are kept up to date and adhered to.</p> <p>We maintain a H&S management system to provide a structured framework in order to ensure that we have a safe and healthy workplace.</p>
Security and resilience of our networks and IT systems	
<p>Why is it important?</p> <p>We need our networks and IT systems to continue operating to provide service to our customers. It is therefore essential that we have secure systems and networks in place that are resilient to network upgrades, malicious activity and physical factors (e.g. risk of flooding and extreme weather).</p>	<p>What are we doing to mitigate the risk?</p> <p>We continue to maintain a number of security and resilience standards, including ISO 27001 Information Security Management standard and Cyber Essentials Plus.</p> <p>We regularly test our business continuity and disaster recovery plans and feedback any lessons learnt into the resilience planning process, which in turn is continually reviewed and updated on an ongoing basis.</p> <p>We have an in-house cyber security team in place to identify and address vulnerabilities and keep up to date on emerging cyber risks through involvement in information sharing forums and liaison with government agencies.</p> <p>In line with the UK telecommunications industry, KCOM is implementing the requirements of the Telecommunications Security Act 2021 and the Product Security and Telecommunications Infrastructure Act 2022.</p>
Regulatory obligations	
<p>Why is it important?</p> <p>As a telecommunications provider, we are regulated by Ofcom and there are multiple conditions and regulations with which we need to comply. A failure to meet our regulatory obligations may impact our ability to operate effectively, result in financial penalties and/or lead to reputational damage.</p>	<p>What are we doing to mitigate the risk?</p> <p>We have an in-house regulatory team which is responsible for ensuring we understand our obligations and that these are communicated to the appropriate people across the business so that we can ensure the necessary controls are in place. This is augmented by mandatory e-learning.</p> <p>We continue to work closely with our suppliers to make sure that our obligations are passed on and complied with in the areas where we are reliant on third parties for the provision of services.</p>

KCOM GROUP LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2024

Section 172 (1) statement

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

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

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

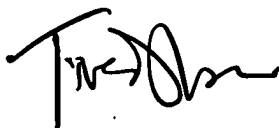
Information about key stakeholder groups, their interests and how KCOM engages with them and takes their views and concerns into account is shown on page 7.

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

The Directors also receive information relating to company strategy, financial and operational performance, risks and compliance with legal and regulatory requirements.

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

Signed on behalf of the board



Tim Shaw
Chief Executive Officer

26 September 2024

KCOM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

The directors present their Directors' report and the audited consolidated financial statements of KCOM Group Limited and its subsidiaries (together the 'Group') for the year ended 31 March 2024.

Future developments

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

Results

The loss for the year attributable to owners of the parent for the financial year amounts to £163k (2023: profit of £7,582k).

Dividend

The Company did not declare or pay any dividends during the year (2023: £Nil).

Directors

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

Subsequent events

The loan facilities were originally entered into by the intermediate parent company KCOM Holdco 3 Limited in September 2020 with a maturity at end September 2025. The facilities comprise total available funds of £475.0 million with a combined amount of £395.0 million drawn down as at 31 March 2024.

Following an amend and extend process KCOM Holdco 3 Limited has extended the maturity of these facilities by 2 years to September 2027. The facilities agreement was signed on 27 August 2024 with the resulting £445m facilities providing access to funding for the group alongside its internally generated cashflows.

Oversight by Macquarie Asset Management (MAM)

The Company forms part of the assets managed by MAM. Achal Anil Kumar Arora is the manager at MAM with responsibility for oversight of the Company and is also a statutory director.

Composition of the Board

The composition of the Board at the date of signing is as follows:

- Achal Anil Kumar Arora has a contract of employment with MAM and was appointed to the Board at the request of MAM and is also a Non-Executive Director;
- Johan Denelind, Fiona Goldsmith, Jaap Postma and Pauline Walsh are independent Non-Executive Directors. Johan is Chair of the Board, Pauline is Chair of the Health, Safety and Environmental Sustainability Committee, Fiona Goldsmith is Chair of the Audit and Risk Committee and Jaap Postma is the chair of the Remuneration Committee;
- Tim Shaw is an Executive Director and is the Company's Chief Executive Officer; and
- Carrie Hutchison as Chief Financial Officer.

KCOM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

Going concern

The Directors have prepared these financial statements on a going concern basis. The KCOM Group (inclusive of this company) meets its day-to-day working capital requirements through its cash reserves and borrowings. The loan facilities entered into by the company's intermediate parent company, KCOM Holdco 3 Limited in September 2020, as amended and extended in August 2024, now mature in September 2027. The loan facilities require compliance with leverage and interest cover ratios, on both a forward and backward looking 12-month basis, that are submitted on a biannual basis. All covenants have been complied with up to the date of signing the accounts.

The Directors have assessed forecast covenant compliance and cash flow forecasts for at least 12 months from the date of signing these financial statements where full compliance with covenant requirements throughout the period of forecast is expected. Additionally, the forecasts for the Group have been sensitised to reflect a severe but plausible downside scenario. 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 for a period of at least 12 months from the date of signing of these financial statements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Our risk management framework

The principal risks and uncertainties facing the business are set out on page 3 of the Strategic report.

Information about the financial risk management policies in place, and the way in which credit risk, liquidity risk, interest rate risk and foreign currency risk are managed, is in Note 27 to the financial statements.

Indemnification of Directors

The Company has a qualifying third-party indemnity provision in force for each director who served during the year and at the date of approval of the financial statements against potential liabilities incurred in connection with any claim brought against him or her, to the fullest extent permitted by the Companies Act 2006.

Employees

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

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

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

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

KCOM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

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

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

Stakeholders	Stakeholders' key interests	Ways we have engaged
<p>Colleagues</p> <p>Our most important asset is our people. Our focus is on attracting, engaging, developing and retaining talented individuals, providing opportunities for career-long learning and development and providing safe workplaces within an inclusive culture that values diversity.</p>	<ul style="list-style-type: none"> • Business strategy and plans • Health, safety and wellbeing • Reward and recognition • Learning and development opportunities • Diversity and inclusion 	<ul style="list-style-type: none"> • Senior management regular updates • Board member safety walks and participation in wellbeing training • Employee engagement surveys • Employee business improvement ideas programme • Monthly wellbeing calls within teams focusing on physical, mental and financial health • Employee wellbeing month focused on physical, mental and financial health
<p>Customers</p> <p>Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain and attract customers and identify opportunities for growth.</p>	<ul style="list-style-type: none"> • Availability and reliability of services • Value for money • Protection from harms related to the services we provide (such as online threats) 	<ul style="list-style-type: none"> • Net Promoter Score (NPS) surveys • Senior management interaction with key business customers • Senior management involvement in resolution of customer complaints • Make social tariff more accessible and affordable
<p>Community and local government</p> <p>Committed to playing our part in making it a better place to live, work and invest.</p>	<ul style="list-style-type: none"> • Creation of jobs and wealth within the region's economy • Contribution to improving the lives of local residents 	<ul style="list-style-type: none"> • Meetings between Board members / senior management and local civic and business leaders • Community investment programme focused on connecting communities, delivering digital skills and boosting business success • Series of community initiatives and sponsorships
<p>Suppliers</p> <p>We rely on the high standards of our carefully selected suppliers to deliver reliable services that meet customer needs.</p>	<ul style="list-style-type: none"> • Long-term relationships • Fair payment terms • Responsible and ethical business practices 	<ul style="list-style-type: none"> • Senior management meetings with key suppliers • Informing suppliers of changes to the business in advance
<p>Regulators and government</p> <p>Our main regulatory relationship is with Ofcom.</p>	<ul style="list-style-type: none"> • Protection of consumers, particularly those who are vulnerable • Promotion of competition • Encouraging investment and innovation • Supporting investment in critical digital infrastructure 	<ul style="list-style-type: none"> • Meetings between Board members / senior management and Ofcom • Engagement with DCMS about the Government's gigabit-capable connectivity ambitions

KCOM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

Streamlined energy and carbon reporting statement SECR

Energy efficiency actions

During the reporting period we have continued with the implementation of our energy efficiency plans which have reduced consumption of purchased electricity 5% compared to FY23. Activities have included the migration of services from less efficient legacy platforms, upgrades to heating, ventilation and air-conditioning (HVAC) systems, and more efficient utilisation of company premises.

The business has made the decision to end its purchase of electricity through a 100% renewables-tariff back by REGO certificates. The business shares concerns that REGO trading has not had the desired impact of driving the development of current or additional renewable generation infrastructure. Additionally, divestment from REGOs presents opportunities for the business to divert funding to initiatives concerned with achieving energy efficiency gains and emissions reductions, over which the business has greater control.

The pace at which we can transition the commercial fleet to electric vehicles is subject to the practical limitations of vehicle range and charging infrastructure. We already operate a small number of electric vehicles and have recently invested in improved vehicle telematics systems, which will enable more efficient operation of the current fleet, but will also assist with increasing the number of electric vehicles in our fleet.

Methodology & Assurance

Our methodology for calculating GHG emissions follows the GHG Protocol Corporate Standard and uses the 2023 Government emission conversion factors for greenhouse gas company reporting.

Independent limited assurance of scope 1&2 emissions has been completed according to ISO 14064-3. The limited assurance report and our reporting criteria used to prepare these metrics can be found in our sustainability report on our website: <https://www.kcom.com/responsibility/corporate-governance/reporting/>.

KCOM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

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

Energy Consumption

Data point	Unit	FY2024	FY2023	+/-
Direct energy consumption (GHG, scope 1)	GWh	3.66	3.41	7%
Automotive fuels ¹	GWh	2.74	2.56	7%
Gas ²	GWh	0.26	0.28	-7%
Oil ³	GWh	0.66	0.57	16%
Indirect energy consumption (GHG, scope 2)	GWh	12.90	13.57	-5%
Purchased electricity	GWh	12.90	13.57	-5%
Indirect energy consumption (GHG, scope 3)	GWh	0.77	0.60	28%
Business travel ⁴	GWh	0.77	0.60	28%
Total direct and indirect energy consumption	GWh	17.33	17.58	-2%

¹ Diesel and petrol used by company-controlled vehicles

² Natural gas consumption for heating of premises. Propane used in engineering operations

³ Oil processed in ICE generators for electricity generation. Oils used in engineering operations

⁴ Fuel used in personal/hire cars on business use (including fuel for which the organisation reimburses its employees following claims for business mileage).

Greenhouse gas (GHG) emissions

Data point	Unit	FY2024	FY2023	+/-
Direct GHG emissions (scope 1)	tonnes CO₂e	1110	1076	3%
Company vehicles	tonnes CO ₂ e	655	602	9%
Fugitive emissions - industrial process refrigeration	tonnes CO ₂ e	234	276	-15%
Oil (heating)	tonnes CO ₂ e	166	131	27%
Oil (generators)	tonnes CO ₂ e	6	14	-57%
Methane gas	tonnes CO ₂ e	43	48	-10%
Engineering plant & equipment (construction)	tonnes CO ₂ e	<1	1	-
Propane	tonnes CO ₂ e	5	4	25%
Indirect GHG emissions (scope 2)	tonnes CO₂e	2670	2640	1%
Purchased electricity (location-based ⁵)	tonnes CO ₂ e	2670	2640	1%
Purchased electricity (market based ⁶)	tonnes CO ₂ e	2670	0	-
Total scope 1 & 2 GHG emissions (location-based)	tonnes CO₂e	3780	3716	2%
Total scope 1 & 2 GHG emissions (market-based)	tonnes CO₂e	3780	1076	251%
Indirect GHG emissions (scope 3)	tonnes CO₂e	191	150	27%
Business travel	tonnes CO ₂ e	191	150	27%
GHG intensity (scope 1 & 2)	tonnes CO₂e per '000 revenue	0.0371	0.0367	1%

⁵ LB - Location-based emissions calculated in line with the UK grid-average emissions factor provided by the UK government

⁶ MB - Market-based emissions from electricity the company has chosen to purchase.

KCOM GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2024

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

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

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

The directors are responsible for safeguarding the assets of the group and company 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 and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are 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 group's and company's auditors are aware of that information.

Signed on behalf of the board



Tim Shaw
Chief Executive Officer

26 September 2024

Independent auditors' report to the members of KCOM Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, KCOM Group Limited's group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2024 and of the group's loss and the group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report and financial statements (the "Annual Report"), which comprise: the Consolidated and Parent company balance sheets as at 31 March 2024; the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Parent company statements of changes in equity and the Consolidated and Parent company cash flow statements for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the parent company's ability 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.

Independent auditors' report to the members of KCOM Group Limited

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Independent auditors' report to the members of KCOM Group Limited

Auditors' 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 auditors' 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. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to Ofcom regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as UK tax legislation and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting journal entries to manipulate financial performance and management bias in determining significant accounting estimates that could influence reported performance. Audit procedures performed by the engagement team included:

- enquiring with management to understand relevant laws and regulations applicable to the group and company and their assessment of fraud related risks;
- identifying and testing journal entries using a risk-based targeting approach for unexpected account combinations;
- testing accounting estimates that we deemed to present a risk of material misstatement including assessing the data, methods and assumptions applied by management in the development of each estimate;
- reviewing correspondence with Ofcom to assess compliance with relevant regulations; and
- reviewing financial statement disclosures and testing to support documentation where appropriate to assess compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent auditors' report to the members of KCOM Group Limited

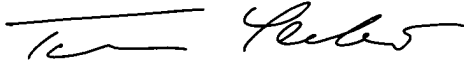
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.



Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
26 September 2024

KCOM GROUP LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2024

	Note	2024 £'000	*As restated 2023 £'000
Revenue	5	101,889	100,925
Operating expenses	6	(91,772)	(87,674)
Other operating income		323	322
Operating profit before exceptional items		10,440	13,573
Exceptional items	8	(3,265)	—
Operating profit		7,175	13,573
Finance income	10	983	1,451
Finance costs	10	(9,779)	(9,183)
(Loss)/profit before tax		(1,621)	5,841
Tax on (loss)/profit	11	1,458	1,741
(Loss)/profit for the year attributable to owners of the Parent		(163)	7,582

*See note 4 for further details.

The above results are all derived from continuing operations.

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

There was a £Nil result for the Parent Company in the year (2023: £Nil).

Consolidated statement of comprehensive income for the year ended 31 March 2024

	Note	2024 £'000	*As restated 2023 £'000
(Loss)/profit for the year		(163)	7,582
Other comprehensive expense			
<i>Items that will not be reclassified to profit or loss:</i>			
Remeasurements of retirement benefit obligations	29	(6,703)	(36,086)
Tax on items that will not be reclassified to profit or loss	25	1,676	9,022
Total other comprehensive expense		(5,027)	(27,064)
Total other comprehensive expense for the year attributable to owners of the Parent		(5,190)	(19,482)

*See note 4 for further details.

The Notes on pages 19 to 49 are an integral part of these consolidated financial statements.

KCOM GROUP LIMITED

CONSOLIDATED AND PARENT COMPANY BALANCE SHEETS

FOR THE YEAR ENDED 31 MARCH 2024

	Note	Consolidated			Parent Company		
		2024 £'000	*As restated 2023 £'000	*As restated 2022 £'000	2024 £'000	2023 £'000	2022 £'000
Assets							
Non-current assets							
Intangible assets	12	22,761	25,122	23,667	—	—	—
Property, plant and equipment	13	180,488	175,677	168,093	—	—	—
Right-of-use assets	14	959	1,599	2,370	—	—	—
Lease receivables	23	1,405	5,646	10,490	—	—	—
Investments	15	35	46	81	494,461	494,461	494,461
Retirement benefit asset	29	3,489	7,522	40,543	—	—	—
Trade and other receivables	18	725	760	540	—	—	—
Contract costs	16	310	264	492	—	—	—
		210,172	216,636	246,276	494,461	494,461	494,461
Current assets							
Inventories	17	4,173	4,895	5,753	—	—	—
Trade and other receivables	18	10,941	14,864	21,671	—	—	—
Lease receivable	23	1,101	3,578	7,290	—	—	—
Contract costs	16	535	398	—	—	—	—
Cash and cash equivalents	21	9,275	14,089	9,551	—	—	—
		26,025	37,824	44,265	—	—	—
Total assets		236,197	254,460	290,541	494,461	494,461	494,461
Liabilities							
Current liabilities							
Trade and other payables	19	(28,486)	(26,797)	(36,316)	(545)	(545)	(545)
Leases liabilities	22	(1,998)	(4,662)	(8,759)	—	—	—
Provisions	24	(1,231)	(1,397)	(303)	—	—	—
		(31,715)	(32,856)	(45,378)	(545)	(545)	(545)
Non-current liabilities							
Deferred tax liabilities	25	(6,649)	(10,204)	(20,611)	—	—	—
Lease liabilities	22	(1,617)	(6,725)	(12,344)	—	—	—
Loans from related parties	20	(164,000)	(165,500)	(151,664)	—	—	—
Provisions	24	(26)	(1,795)	(3,682)	—	—	—
		(172,292)	(184,224)	(188,301)	—	—	—
Total liabilities		(204,007)	(217,080)	(233,679)	(545)	(545)	(545)
Net assets		32,190	37,380	56,862	493,916	493,916	493,916
Equity							
Capital and reserves attributable to owners of the Parent							
Share capital	26	52,022	52,022	52,022	52,022	52,022	52,022
Share premium account		353,231	353,231	353,231	353,231	353,231	353,231
Accumulated losses ¹		(373,063)	(367,873)	(348,391)	88,663	88,663	88,663
Total shareholders' funds		32,190	37,380	56,862	493,916	493,916	493,916

1. Included within consolidated accumulated losses is a loss after tax for the year of £163k (2023:restated £7,582k profit after tax for the year) for the Group and £Nil result for the Parent Company (2023: £Nil).

* See note 4 for further details.

The Notes on pages 19 to 49 are an integral part of these consolidated financial statements.

The financial statements on pages 15 to 49 were approved by the Board of Directors and authorised for issue on 26 September 2024. They were signed on its behalf by:



Tim Shaw
Chief Executive Officer

KCOM Group Limited
Registered number: 2150618

KCOM GROUP LIMITED
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2024

	Share capital £'000	Share premium account £'000	Accumulated losses £'000	Total shareholders' funds £'000
At 1 April 2022 (As previously stated)	52,022	353,231	(350,265)	54,988
Restatement	—	—	1,874	1,874
At 1 April 2022 (Restated)	52,022	353,231	(348,391)	56,862
Profit for the year	—	—	7,582	7,582
Other comprehensive expense	—	—	(27,064)	(27,064)
Total comprehensive expense for the year (restated*)	—	—	(19,482)	(19,482)
At 31 March 2023 (restated*)	52,022	353,231	(367,873)	37,380
Loss for the year	—	—	(163)	(163)
Other comprehensive expense	—	—	(5,027)	(5,027)
Total comprehensive expense for the year	—	—	(5,190)	(5,190)
At 31 March 2024	52,022	353,231	(373,063)	32,190

*See note 4 for further details.

The notes on pages 19 to 49 are an integral part of these consolidated financial statements.

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

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

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

Parent company statement of changes in equity
for the year ended 31 March 2024

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2022	52,022	353,231	88,663	493,916
Result for the year	—	—	—	—
Total comprehensive expense for the year	—	—	—	—
At 31 March 2023	52,022	353,231	88,663	493,916
Result for the year	—	—	—	—
Total comprehensive income for the year	—	—	—	—
At 31 March 2024	52,022	353,231	88,663	493,916

The Notes on pages 19 to 49 are an integral part of these consolidated financial statements.

KCOM GROUP LIMITED
CONSOLIDATED AND PARENT COMPANY CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024

	Note	Consolidated		Parent Company	
		*As restated		2024 £'000	2023 £'000
		2024 £'000	2023 £'000		
Cash flows from operating activities					
Operating profit		7,175	13,573	—	—
Adjustments for:					
– depreciation and amortisation	12,13	32,682	25,098	—	—
– right of use asset depreciation	14	564	1,143	—	—
– decrease in trade receivables	18	3,775	6,449	—	—
– decrease in inventories	17	722	859	—	—
– increase/(decrease) in trade payables	19	2,271	(11,171)	—	—
– decrease in provisions	24	(1,935)	(792)	—	—
– loss on disposal of property, plant and equipment	6	251	64	—	—
– profit on disposal of intangible assets	6	(1,538)	(11)	—	—
– (profit)/loss on disposal of leases	6	(2)	174	—	—
– non-employee-related pension charges	29	921	978	—	—
Payments made to defined benefit pension schemes	29	(3,176)	(2,945)	—	—
Tax received	11	—	244	—	—
Net cash generated from operations		41,710	33,663	—	—
Cash flows from investing activities					
Purchase of property, plant and equipment	13	(29,615)	(26,832)	—	—
Purchase of intangible assets	12	(6,091)	(8,016)	—	—
Interest received on lease receivable	23	568	353	—	—
Capital element of lease payments received	23	5,740	5,993	—	—
Proceeds from the sale of intangible assets	12	1,945	—	—	—
Dividends received		11	35	—	—
Proceeds from sale of National business trade and net assets, net of transaction costs		—	2,423	—	—
Net cash used in investing activities		(27,442)	(26,044)	—	—
Cash flows from financing activities					
Interest paid	10	(9,158)	(8,933)	—	—
Interest paid on right of use assets	10	(604)	(421)	—	—
Capital element of lease repayments	22	(7,820)	(7,698)	—	—
Drawdown of loans from related parties	20	3,600	45,000	—	—
Repayment of loans from related parties	20	(5,100)	(31,029)	—	—
Net cash used in financing activities		(19,082)	(3,081)	—	—
(Decrease)/increase in cash and cash equivalents		(4,814)	4,538	—	—
Cash and cash equivalents at the beginning of the year		14,089	9,551	—	—
Cash and cash equivalents at the end of the year	21	9,275	14,089	—	—

* See note 4 for further details

The Notes on pages 19 to 49 are an integral part of these consolidated financial statements.

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1 General information

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

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

2 Material accounting policy information

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

Basis of preparation

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

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

Going concern

The Directors have prepared these financial statements on a going concern basis. The Group meets its day-to-day working capital requirements through its cash reserves and borrowings. The Group's loan facilities, entered into by KCOM Holdco 3 Limited in September 2020, as amended and extended in August 2024, now mature in September 2027. The loan facilities require compliance with leverage and interest cover ratios, on both a forward and backward looking 12-month basis, that are submitted on a biannual basis. All covenants have been complied with up to the date of signing the accounts.

The Directors have assessed forecast covenant compliance and cash flow forecasts for at least 12 months from the date of signing these financial statements where full compliance with covenant requirements throughout the period of forecast is available. Additionally, the forecasts for the Group have been sensitised to reflect a severe but plausible downside scenario. 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 for a period of at least 12 months from the date of signing of these financial statements.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Adoption of new and revised standards

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

Standard or interpretations	Content	Applicable for financial year beginning on
Amendments to IAS 1	Presentation of Financial Statements	1 June 2023
Amendments to IAS 8	Accounting Policies	1 June 2023
Amendments to IAS 12	Income Taxes	1 June 2023
Amendment to IFRS 17	Insurance Contracts	1 June 2023
IFRS Practice Statement 2	Making Material Judgements	1 June 2023

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

Adoption of new and revised standards(continued)

The following standards, amendments and interpretations are not yet effective and have not been adopted early by the Group.

Standard or interpretations	Content	Applicable for financial year beginning on
Amendments to IAS 7 and IFRS 7	Supplier Finance	1 January 2024
Amendments to IAS 1	Non-current Liabilities with Covenants	1 June 2024
Amendments to IFRS16	Leases on Sale and Leaseback	1 June 2024

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

Basis of consolidation

Subsidiaries are entities controlled by the company. Control exists when the company is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The consolidated financial statements include the financial statements of the company and its undertakings made up to 31 March 2024.

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

Partnerships are controlled when the Group has the power, directly or indirectly, to govern the financial and operating policies of the partnership so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The consolidated financial statements include the financial statements of the KCOM Central Asset Reserve Limited Partnership and its undertakings made up to 31 March 2024. The results of new partnership undertakings are included from the dates of acquisition using the purchase method of consolidation. Where a company has ceased to be a partnership undertaking during the year, it's results are included to the date of cessation.

Revenue recognition

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

Standalone service offerings

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

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

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

Standalone product sales

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

Bundled equipment and service offerings

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

Contract modifications

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

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

Exceptional items

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

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

Finance income

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

Finance cost

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

Intangible assets

Development costs

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

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

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

Customer and supplier relationships

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

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

Intangible assets (continued)

Technology and brand

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

Software

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

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

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

Assets under construction (AUC)

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

Amortisation

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

The estimated useful lives are as follows:

Customer and supplier relationships	up to 8 years
Technology and brand	up to 10 years
Software	up to 10 years
Development costs	3 to 20 years

Property, plant and equipment

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

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

Freehold land is not depreciated.

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

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

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

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

Investments in subsidiaries

Investments in subsidiaries are shown at cost less provision for impairment. They are reviewed at each reporting date for possible reversal of the impairment.

Impairment of non-financial assets

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

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

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

Contract costs

Costs of obtaining a contract

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

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

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

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

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

Inventories

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

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are initially recognised at fair value.

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

Contract assets

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

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

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

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, short-term deposits and other short-term, highly liquid investments with original maturities of three months or less and bank overdrafts. See Note 27 for details of the restricted cash held which is not available to the Group for general use.

Trade payables

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

Contract liabilities

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

Taxation

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

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

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

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

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

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

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

Foreign currency translation

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

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

Leasing

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

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

KCOM GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

Leasing (continued)

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

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

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

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

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

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

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

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

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

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

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

2 Material accounting policy information (continued)

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

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

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

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

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

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

Pensions

Defined contribution

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

Defined benefit

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

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

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

Dividends

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

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

Provisions

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

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

Share capital

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

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

3 Critical accounting judgements and key sources of estimation uncertainty

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

Area	Critical accounting estimates and judgements	Key sources of estimation uncertainty
Post-employment benefits		
The Group operates two defined benefit schemes. All post-employment benefits associated with these schemes have been accounted for in accordance with IAS 19 "Employee benefits (revised)". As detailed within the accounting policies note, in accordance with IAS 19, all actuarial gains and losses have been recognised immediately through the Consolidated statement of comprehensive income.	Accounting for defined benefit pension schemes requires estimates over areas such as setting appropriate criteria to derive assumptions such as discount rates.	Several estimates contribute to the year-end valuation including discount rates, inflation and rate of increase to pensions in payment. Changes to these estimates could result in a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Sensitivity analysis is provided in Note 29.
Leases		
Lease accounting requires determination of the lease term, which is defined as the non-cancellable period of the lease adjusted for the impact of any reasonably certain extension, termination and purchase options.	Determining the lease term requires judgement to evaluate whether the Group is reasonably certain to exercise any options available.	The directors do not consider there to be any estimates made which could have a significant risk resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.
The lease term and the discount rate are key determinants of the size of the lease liability and right-of-use asset recognised where the Group acts as lessee.	The directors also apply estimates in determining the appropriate incremental borrowing rate that reflects the risks specific to leases.	

4 Prior year restatements

Following a review of certain financial statement line items within the consolidated balance sheet and the consolidated income statement, the directors identified a number of matters impacting the prior year, which have been adjusted in these financial statements as follows:

Accounting for routers

During the year the decision to enforce the returns of routers issued to customers was made, as per the contractual terms and conditions in customer contracts. The terms and conditions state the routers remain the property of the Group rather than the customer, however previously routers were recorded as a sale when issued to customers in absence of any enforcement of returns, rather than being recorded on the balance sheet within property, plant and equipment. Therefore lease applies to these router assets over the term of the underlying contract. The impact of this change on the balance sheet as at 1 April 2022 as well as the impact on the income statement and balance sheet for the year ended 31 March 2023, is shown below.

Reclassification of items in property, plant and equipment and intangible assets.

Following a review by management of the intangible asset and property, plant and equipment asset registers it was identified that a number of costs had been inappropriately capitalised within intangible assets rather than property, plant and equipment, based on their nature. The impact on the balance sheet of correcting this error as at 31 March 2023 and 1 April 2022 is shown below. The net book value on the balance sheet remains unchanged.

Presentation of deferred tax

Following a review of the disclosure of deferred tax assets and liabilities on the balance sheet it was identified that deferred tax assets and liabilities were incorrectly disclosed gross. The correct treatment was to offset deferred tax assets and liabilities and the net liability was to be disclosed on the balance sheet in accordance with IAS 12 paragraph 74. The impact of correcting on the balance sheet as at 1 April 2022 and 31 March 2023 is shown below. The net amount on the balance sheet remains unchanged.

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

4 Prior year restatements (continued)

	As previously reported £'000	Adjustment for routers £'000	Adjustment for asset reclassification £'000	Adjustment for deferred tax £'000	As restated £'000
The impact as at 1 April 2022 is as follows:					
Balance sheet					
Intangible assets	33,405	—	(9,738)	—	23,667
Property, plant and equipment	154,901	3,454	9,738	—	168,093
Contract assets	1,412	(1,412)	—	—	—
Trade and other receivables	22,379	(168)	—	—	22,211
Deferred tax assets	4,150	—	—	(4,150)	—
Deferred tax liabilities	(24,761)	—	—	4,150	(20,611)
Accumulated losses	(350,265)	1,874	—	—	(348,391)
The impact during the year ended 31 March 2023 is as follows:					
Consolidated income statement					
Revenue	101,213	(288)	—	—	100,925
Operating expenses	(88,174)	500	—	—	(87,674)
Operating profit	13,361	212	—	—	13,573
Profit before tax	5,629	212	—	—	5,841
Profit for the year	7,370	212	—	—	7,582
attributable to owners of the Parent					
Total other comprehensive expense	(19,694)	212	—	—	(19,482)
Balance sheet					
Intangible assets	37,144	—	(12,022)	—	25,122
Property, plant and equipment	159,696	3,959	12,022	—	175,677
Deferred tax assets	5,208	—	—	(5,208)	—
Contract assets	1,696	(1,696)	—	—	—
Trade and other receivables	15,802	(178)	—	—	15,624
Deferred tax liabilities	(15,412)	—	—	5,208	(10,204)
Accumulated losses	(369,959)	2,085	—	—	(367,873)
Consolidated cashflow statement					
Operating profit	13,361	212	—	—	13,573
Depreciation and amortisation	23,594	1,504	—	—	25,098
Decreases in trade receivables	6,155	294	—	—	6,449
Purchase of property, plant and equipment	(21,660)	(2,010)	(3,162)	—	(26,832)
Purchase of intangible assets	(11,178)	—	3,162	—	(8,016)

KCOM GROUP LIMITED

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5 Revenue

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

Consolidated	2024 £'000	*As restated 2023 £'000
		Consumer
Business	22,197	23,419
Wholesale	10,367	10,521
Other	—	33
Total	101,889	100,925

*See note 4 for further details.

Inter-Group sales are charged at prevailing market prices. Sales have been shown on a gross basis in continuing operations to better reflect the position going forward. The revenue and costs still consolidate out in the Income statement.

No material revenue, operating profit or net operating assets arises outside the United Kingdom. No revenue from transactions with one customer exceeded 10% of Group revenue.

6 Operating expenses

Operating profit is stated after charging/(crediting):

Consolidated	Note	2024 £'000	*As restated 2023 £'000
			Staff costs
Own work capitalised	8	(12,723)	(10,798)
Other external charges		31,726	32,116
Auditors' remuneration	7	709	729
Amortisation of intangible assets (restated*)	12	11,381	7,460
Depreciation of property, plant and equipment (restated*)	13	21,301	17,639
Depreciation of right-of use assets	14	564	1,143
Impairment loss on trade receivables and contract assets	27	466	400
(Profit)/loss on disposal of leases	14	(2)	9
Lease expenses for low value assets and short-term leases	14	1,283	1,064
Profit on disposal of intangible assets	12	(1,538)	(11)
Loss on disposal of property, plant and equipment	13	251	64
Total		91,772	87,674

*See note 4 for further details.

Reconciliation of EBITDA to operating profit:

Consolidated	Note	2024 £'000	*As restated 2023 £'000
			Operating profit analysed as:
EBITDA before exceptional items		42,397	39,877
Exceptional items	8	(3,265)	—
Depreciation of property, plant and equipment (restated*)	13	(21,301)	(17,639)
Amortisation of intangible assets (restated*)	12	(11,381)	(7,460)
Depreciation of right of use assets	14	(564)	(1,143)
Profit(loss) on disposal of leases	14	2	(9)
Profit on disposal of other intangible assets	12	1,538	11
Loss on disposal of property, plant and equipment	13	(251)	(64)
Operating profit		7,175	13,573

*See note 4 for further details.

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FOR THE YEAR ENDED 31 MARCH 2024

7 Auditors' remuneration

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

Consolidated	2024	2023
	£'000	£'000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements and the consolidated financial statements ³	36	35
Fees payable to the Company's auditors and their associates for other services:		
– the audit of the Company's subsidiaries	600	600
– audit-related assurance services ¹	59	55
– other non-audit services ²	14	39
Total	709	729

1. Relates to regulatory audit provided by PricewaterhouseCoopers LLP.

2. Loan reporting assurance provided by PricewaterhouseCoopers LLP.

8 Exceptional items

Consolidated	2024	2023
	£'000	£'000
Restructuring costs	3,265	—

During the year, exceptional restructuring costs of £3,265k were incurred (2023: £Nil). The restructuring costs comprise of consultancy costs incurred of £1,338k (2023: £Nil) and restructuring costs relating to employees incurred of £1,928k (2023: £Nil).

9 Employees and remuneration

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

	Number of employees	
	2024	2023
Consumer & Business	258	259
Central	507	501
Total	765	760

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

The costs incurred in respect of these employees were:

Consolidated	Note	2024	2023
		£'000	£'000
Wages and salaries		32,436	31,985
Social security costs		3,080	3,009
Other pension costs	29	2,838	2,865
Total		38,354	37,859
Less own work capitalised		(12,723)	(10,798)
Charged to the consolidated income statement		25,631	27,061

All of the Group's employees were employed by KCOM Group Limited during the year ended 31 March 2024. No employee costs are borne by the Parent Company.

With the exception of operating expenses and interest costs, the expenses relating to the defined benefit pension schemes are recognised within other comprehensive income, see Note 29 for further details.

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

9 Employees and remuneration (continued)

Remuneration of Directors

Consolidated	2024 £'000	2023 £'000
Remuneration	828	1,072
Aggregate amounts receivable under long term incentive plans	138	270
Company contributions paid to defined contribution schemes	35	65
Compensation for loss of office	—	188
Total	1,001	1,595

Consolidated	2024 No.	2023 No.
Members of defined contribution schemes	1	3

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

Consolidated	2024 £'000	2023 £'000
Remuneration	621	555
Aggregate amounts receivable under long term incentive plans	138	206
Company contributions paid to defined contribution schemes	35	33
Total	794	794

Remuneration of Key Management Personnel

Consolidated	2024 £'000	2023 £'000
Remuneration	955	1,097
Aggregate amounts receivable under long term incentive plans	138	270
Company contributions paid to defined contribution schemes	80	85
Compensation for loss of office	155	188
Total	1,328	1,640

Consolidated	2024 No.	2023 No.
Members of defined contribution schemes	2	4

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

10 Finance income and costs

Consolidated	Note	2024 £'000	2023 £'000
Finance income:			
Retirement benefit obligations	29	415	1,098
Interest received on lease receivables	23	568	353
Total finance income		983	1,451
Finance costs			
Bank loans, overdrafts and other loans		17	(36)
Interest charged on loans from related parties	20	9,158	8,798
Interest on lease liabilities	22	604	421
Total finance costs		9,779	9,183
Net finance costs		8,796	7,732

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

11 Tax on (loss)/profit

Analysis of tax credit in the year

The credit based on the (loss)/profit for the year comprises:

Consolidated	Note	2024 £'000	*Restated 2023 £'000
UK corporation tax:			
– current tax on (loss)/profit for the year		—	1
– adjustment in respect of prior years		421	(354)
Total current tax		421	(353)
UK deferred tax:			
Origination and reversal of temporary differences in respect of:			
– (loss)/profit for the year		(2,942)	276
– adjustment in respect of prior years		(392)	(3,217)
– charge in respect of retirement benefit obligation		1,455	1,553
Total deferred tax	25	(1,879)	(1,388)
Total tax credit for the year		(1,458)	(1,741)

Factors affecting tax credit for the year

Consolidated	2024 £'000	2023 £'000
(Loss)/profit before tax	(1,621)	5,841
(Loss)/profit before tax at the standard rate of corporation tax in the UK of 25% (2023: 19%)	(405)	1,110
Effects of:		
– expenses not deductible for tax purposes	(1,082)	720
– adjustment in respect of prior years	29	(3,571)
Total tax credit for the year	(1,458)	(1,741)

*See note 4 for further details.

Factors affecting the current and future tax charges

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

The Group operates and pays income tax solely within the United Kingdom, the loss before tax for the year ended 31 March 2024 was £1.6 million and tax credit recognised in the income statement was £1.5 million, giving an effective tax rate of 73.3%. Based on this assessment, the Group does not expect a material exposure to Pillar Two income taxes for any of the entities within the Group. The Group has applied the mandatory temporary exception under IAS 12 in relation to the accounting for deferred taxes arising from the implementation of the Pillar Two rules.

During the year ended 31 March 2024, corporation tax has been calculated at tax of 25% of estimated assessable profits for the year (2023: blended tax of 20% (being 19% until 31 March 2023, and 25% thereon)).

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

12 Intangible assets

Consolidated	Note	Development costs ¹ £'000	Software £'000	Customer and supplier relationships £'000	Technology and brand £'000	Assets under construction £'000	Total £'000
Cost							
As previously reported		18,104	40,463	49,257	6,294	7,206	121,324
Restatement		(11,784)	—	—	—	—	(11,784)
At 1 April 2022 (Restated*)		6,320	40,463	49,257	6,294	7,206	109,540
Additions		13	1,992	—	—	2,183	4,188
Own work capitalised	9	2,984	584	—	—	3,422	6,990
Restatement		(3,162)	—	—	—	—	(3,162)
Transfers		2,150	3,670	—	—	(4,932)	888
At 31 March 2023 (Restated*)		8,305	46,709	49,257	6,294	7,879	118,444
Additions		4,683	1,408	—	—	—	6,091
Disposals		(6,933)	(24,753)	—	—	—	(31,686)
Transfers		19,156	(9,284)	—	—	(6,528)	3,344
At 31 March 2024		25,211	14,080	49,257	6,294	1,351	96,193
Accumulated amortisation							
As previously reported		6,204	26,164	49,257	6,294	—	87,919
Restatement		(2,046)	—	—	—	—	(2,046)
At 1 April 2022 (Restated*)		4,158	26,164	49,257	6,294	—	85,873
Charge for the year	6	2,477	5,861	—	—	—	8,338
Disposals		—	(11)	—	—	—	(11)
Restatement		(878)	—	—	—	—	(878)
At 31 March 2023 (Restated*)		5,757	32,014	49,257	6,294	—	93,322
Charge for the year	6	4,119	7,262	—	—	—	11,381
Disposals		(6,928)	(24,343)	—	—	—	(31,271)
Transfers		7,257	(7,257)	—	—	—	—
At 31 March 2024		10,205	7,676	49,257	6,294	—	73,432
Carrying amount							
At 31 March 2024		15,006	6,404	—	—	1,351	22,761
At 31 March 2023 (Restated*)		2,548	14,695	—	—	7,879	25,122

¹ Development costs are predominantly capitalised staff costs and third-party vendor costs associated with assets relating to new products and provision of services.

The transfers line includes £3,344,000 (2023: £888,000) transferred between intangible assets and property, plant, and equipment (see note 13).

*After a comprehensive review of the fixed asset register, a restatement has been made against the prior period opening balances, in relation to the reclassification of assets from intangibles to property, plant and equipment. Please see note 4 for further details.

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FOR THE YEAR ENDED 31 MARCH 2024

13 Property, plant and equipment

Consolidated	Note	Land and buildings £'000	Exchange equipment £'000	External plant £'000	Vehicles other apparatus and equipment £'000	Assets Under construction £'000	Total £'000
Cost							
As previously reported		13,387	100,740	198,561	19,567	22,114	354,369
Restatement		—	(14,472)	26,256	5,512	—	17,296
At 1 April 2022 (Restated*)		13,387	86,268	224,817	25,079	22,114	371,665
Additions		—	—	5,963	1,048	10,185	17,196
Own work capitalised	9	—	—	4	404	3,399	3,807
Restatement		—	—	3,162	2,010	—	5,172
Disposals		—	—	—	(129)	—	(129)
Transfers		—	—	10,176	2,344	(13,408)	(888)
At 31 March 2023 (Restated*)		13,387	86,268	244,122	30,756	22,290	396,823
Additions		—	1,041	18,734	3,517	6,323	29,615
Disposals		2	(1,313)	(3,042)	(1,223)	(126)	(5,702)
Transfers		—	492	15,626	2,414	(21,876)	(3,344)
At 31 March 2024		13,389	86,488	275,440	35,463	6,611	417,392
Accumulated depreciation							
As previously reported		11,453	77,415	99,812	10,787	—	199,467
Restatement		—	(2,598)	4,644	2,058	—	4,104
At 1 April 2022 (Restated*)		11,453	74,817	104,456	12,845	—	203,571
Charge for the year	6	226	2,307	10,539	2,184	—	15,256
Restatement		—	—	878	1,504	—	2,382
Disposals		—	—	(20)	(44)	—	(65)
At 31 March 2023 (Restated*)		11,679	77,124	115,853	16,489	—	221,145
Charge for the year	6	220	2,551	13,973	4,557	—	21,301
Disposals		2	(1,312)	(2,938)	(1,295)	—	(5,543)
At 31 March 2024		11,901	78,363	126,888	19,751	—	236,903
Net book value							
At 31 March 2024		1,488	8,125	148,552	15,712	6,611	180,488
At 31 March 2023 (Restated)		1,708	9,144	128,269	14,266	22,290	175,677

The transfers line includes £3,344,000 (2023: £888,000) transferred between intangibles (see note 12) and property, plant and equipment.

*After a comprehensive review of the fixed asset register, a restatement has been made against the prior period opening balances, in relation to the reclassification of assets from intangibles to property, plant and equipment. Please see note 4 for further details.

The net book value of assets leased under operating leases, included in 'vehicles, other apparatus and equipment' is £4,568,000 (2023: £3,960,000).

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14 Right-of-use assets

Consolidated	Land and buildings £'000	External plant £'000	Vehicles, other apparatus and equipment £'000	Total £'000
Cost				
At 1 April 2022	2,146	2,549	1,574	6,269
Additions	—	340	47	387
Modifications	6	12	141	159
Disposals	—	(634)	—	(634)
At 31 March 2023	2,152	2,267	1,762	6,181
Modifications	—	48	—	48
Disposals	—	(216)	(629)	(845)
At 31 March 2024	2,152	2,099	1,133	5,384
Accumulated depreciation				
At 1 April 2022	2,088	1,218	593	3,899
Charge for the year	18	715	410	1,143
Disposals	—	(460)	—	(460)
At 31 March 2023	2,106	1,473	1,003	4,582
Charge for the year	20	313	231	564
Disposals	—	(190)	(531)	(721)
At 31 March 2024	2,126	1,596	703	4,425
Net book value				
At 31 March 2024	26	503	430	959
At 31 March 2023	46	794	759	1,599

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

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

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

Consolidated	2024 £'000	2023 £'000
Short-term leases	1,283	1,064

15 Investment in subsidiaries

Consolidated	Shares in joint venture £'000
Cost	
At 1 April 2022	81
Share of net result for the year	(35)
At 31 March 2023	46
Share of net result for the year	(11)
At 31 March 2024	35
Amounts written off	
31 March 2023 and 31 March 2024	—
Net book value	
At 31 March 2024	35
At 31 March 2023	46
At 31 March 2022	81

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

15 Investments (continued)

Parent Company	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2022, 31 March 2023 and 31 March 2024	494,511
Amounts written off	
At 1 April 2022, 31 March 2023 and 31 March 2024	50
Net book value	
At 1 April 2022, 31 March 2023 and 31 March 2024	494,561

Subsidiary undertakings and joint venture (as at 31 March 2024)

Name of company	Place of business/ country of incorporation	Holding	Proportion held	Nature of business
KCH (Holdings) Limited	England and Wales ¹	Ordinary shares	100%	Intermediate holding company
Smart 421 Technology Group Limited*	England and Wales ¹	Ordinary shares	100%	Dormant holding company
Kingston Network Holdings Limited*	England and Wales ¹	Ordinary shares	100%	Dissolved May 2024
Kingston Service Holdings Limited*	England and Wales ¹	Ordinary shares	100%	Dormant holding company
KCOM International Limited*	England and Wales ¹	Ordinary shares	100%	Dormant
KCOM (General Partner) Limited*	Scotland ²	Ordinary shares	100%	Dormant holding company
KCOM Central Asset Reserve Limited Partnership*	Scotland ²	Ordinary shares	100%	Partnership
KCOM Contact Centres Limited*	England and Wales ¹	Ordinary shares	100%	Provision of call centre facilities
Kingston Communications (Data) Trustees Limited*	England and Wales ¹	Ordinary shares	100%	Dormant
Kingston Communications (Hull) Trustees Limited*	England and Wales ¹	Ordinary shares	100%	Dormant
Affiniti Integrated Solutions Limited*	England and Wales ¹	Ordinary shares	100%	Dormant
Kingston Information Services Limited*	England and Wales ¹	Ordinary shares	100%	Dissolved September 2023
KCOM Holdings Limited*	England and Wales ¹	Ordinary shares	100%	Design and delivery of communication and integration services
Eclipse Networking Limited*	England and Wales ¹	Ordinary shares	100%	Dissolved May 2024
Eclipse Internet Limited*	England and Wales ¹	Ordinary shares	100%	Dissolved September 2023
Kingston Communications (Hull) Limited*	England and Wales ¹	Ordinary shares	100%	Dissolved September 2023
Omnetica Investment Limited*	England and Wales ¹	Ordinary shares	100%	Dormant holding company
Omnetica Inc*	USA ³	Ordinary shares	100%	Dormant
Smart421 Limited*	England and Wales ¹	Ordinary shares	100%	Placed into liquidation June 2022
Smart421 Solutions Inc*	USA ⁴	Ordinary shares	100%	Dormant
Smartintegrator Technology Limited*	England and Wales ¹	Ordinary shares	50%	Dissolved June 2024

* Indicates indirect shareholding.

1. 37 Carr Lane, Hull HU1 3RE.

2. 50 Lothian Road, Festival Square, Edinburgh EH3 9WJ.

3. 200 Knickerbocker Avenue, Bohemia, New York, 11716, USA.

4. 9 East Loockerman Street, Dover, Delaware, 19901, USA.

The directors believe the values of the investments are supported by the higher of value in use and fair value less costs to sell. Both of these valuation methodologies have been considered in the year when assessing the carrying value of investments for potential impairment.

Joint venture

The Group's joint venture is Smartintegrator Technology Limited, in which the Company indirectly holds 50% of the ordinary shares. Under an agreement between the shareholders of Smartintegrator Technology Limited, neither the Group nor the shareholders are able to exercise control over the operational and financial policies of Smartintegrator Technology Limited. The joint venture is registered in England and its main business activity is software development. On 8 June 2022, Smartintegrator Technology Limited, was placed into liquidation and dissolved on 22 June 2024.

16 Contract costs

Consolidated	2024 £'000	2023 £'000
Contract costs current	535	398

Consolidated	2024 £'000	2023 £'000
Contract costs non-current	310	264

In the current financial year, capitalised contract costs of £398k (2023: £394k) relating to continuing operations were amortised and included in operating expenses.

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

17 Inventories

	2024	2023
Consolidated	£'000	£'000
Raw materials and consumables	4,173	4,895

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

Write-downs of inventories due to slow moving items to net realisable value amounted to £16k (2023: £70k). These were recognised as an expense during the year and were included in 'operating expenses' in the consolidated income statement.

18 Trade and other receivables

	2024	*As restated 2023
Consolidated	£'000	£'000
Trade receivables (net)	5,314	6,922
Other receivables	341	3,186
Prepayments (restated*)	4,941	3,945
Unbilled receivables	345	811
Total	10,941	14,864
Non-current		
Amounts due from intermediate parent companies	725	760
Total	725	760

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

All of the Group's receivables are due within one year in both the year ended 31 March 2024 and the year ended 31 March 2023. An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £274k (2023: £478k). Note 27 provides further disclosures regarding the allowance for irrecoverable amounts and the credit risk of the Group's trade receivables.

*See note 4 for further details.

19 Trade and other payables

	Consolidated		Parent Company	
	2024	2023	2024	2023
	£'000	£'000	£'000	£'000
Current				
Trade payables	7,968	8,924	—	—
Other taxes and social security costs	4,047	3,979	—	—
Other payables	1,017	260	—	—
Accruals	8,794	7,210	—	—
Contract liabilities	6,660	6,424	—	—
Amounts due to subsidiary undertakings	—	—	545	545
Total	28,486	26,798	545	545

During the year, deferred revenue of £6,424k (2023: £5,206k) has been recognised in relation to the contract liability at the beginning of the period which relates to continuing operations.

Included within contract liabilities is £158k (2023: £1,079k) relating to rentals received from the lease of IP addresses. These are classified as an operating lease from a lessor perspective. Rental income of £323k (2023: £322k) has been recognised by the Group in the year.

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

20 Loans from related parties

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

Consolidated	2024 £'000	2023 £'000
Loans from related parties		
Beginning of year	165,500	151,664
Loans advanced	3,600	45,000
Interest charged	9,158	8,798
Loan repayment	(5,100)	(31,029)
Interest paid	(9,158)	(8,933)
End of year	164,000	165,500

On 26 October 2020, KCOM Holdco 3 Limited entered into an Intercompany Loan Agreement with KCH (Holdings) Limited to provide a loan of up to £165,000k on an uncommitted basis for a period of five years from the date of the first advance, attracting interest at a fixed rate of 5.5%. During the year £14,258k (2023: £39,962k) of combined principal and interest was repaid on the loan.

21 Net debt

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

Consolidated	Note	2024 £'000	2023 £'000
Cash and cash equivalents		9,275	14,089
Loan from related parties	20	(164,000)	(165,500)
Total net debt excluding lease liabilities		(154,725)	(151,411)
Lease liabilities	22	(3,615)	(11,387)
Total net debt		(158,340)	(162,798)

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

Consolidated	Cash/bank overdraft £'000	Liabilities from financing activities			Total £'000
		Lease liabilities due within 1 year £'000	Lease liabilities due after 1 year £'000	Loans from related parties £'000	
Net debt at 1 April 2022	9,551	(8,759)	(12,344)	(151,664)	(163,216)
Cash flows	4,538	7,277	—	(5,038)	6,777
Other non-cash movements	—	(3,180)	5,619	(8,798)	(6,359)
Net debt at 31 March 2023	14,089	(4,662)	(6,725)	(165,500)	(162,798)
Cash flows	(4,814)	7,820	—	10,658	13,664
Other non-cash movements	—	(5,156)	5,108	(9,158)	(9,206)
Net debt at 31 March 2024	9,275	(1,998)	(1,617)	(164,000)	(158,340)

22 Lease liabilities

Consolidated	2024 £'000	2023 £'000
Lease liabilities:		
Minimum lease payments:		
– within 12 months	2,087	4,932
– in 1 to 5 years	1,651	6,892
– after 5 years	—	49
	3,738	11,873
Future finance charges	(123)	(486)
Present value of lease liabilities	3,615	11,387
The present value of lease liabilities is as follows:		
– within 12 months	1,998	4,662
– in 1 to 5 years	1,617	6,676
– after 5 years	—	49
Total	3,615	11,387

An interest expense of £604k (2023: £421k) was recognised in the year in relation to lease liabilities.

The total cash outflow for leases during the year was £3,806k (2023: £8,254k) including £1,283k (2023: £1,064k) relating to short-term and low-value asset leases which have not been included in the lease liability.

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FOR THE YEAR ENDED 31 MARCH 2024

23 Lease receivable

	2024 £'000	2023 £'000
Consolidated		
Lease receivables:		
Undiscounted lease payments to be received:		
– within 12 months	1,447	3,807
– in 1 to 5 years	1,143	5,793
– after 5 years	—	36
Total undiscounted lease receivable	2,590	9,636
Future finance income	(84)	(412)
Net investment in the lease	2,506	9,224
The present value of lease receivables is as follows:		
– within 12 months	1,101	3,578
– in 1 to 5 years	1,405	5,611
– after 5 years	—	35
Total	2,506	9,224

From the point of sale of the trade and the assets of the National ICT Business to GCI Network Solutions Limited (“Nasstar”), the Group began to sub-lease a number of buildings, data centre space and leased lines to Nasstar and will continue to do so until the lease contracts legally novate or the properties leases are reassigned. These leases were previously recognised as part of right-of-use assets and the Group recognised a gain on derecognition of the right-of-use assets relating to these buildings and leased lines in the prior year. The gain in the prior year is presented in Note 6 within profit on disposal of leases.

Interest income of £568k (2023: £353k) was recognised in the year in relation to lease receivables.

24 Provisions

	Dilapidations £'000	Onerous Contracts £'000	Restructuring £000	Total £'000
Consolidated				
At 1 April 2023	2,832	360	—	3,192
Established in the year	13	88	1,034	1,135
Unused amounts reversed	(2,692)	—	—	(2,692)
Utilised in the year	—	(378)	—	(378)
At 31 March 2024	153	70	1,034	1,257
Total provisions 2024				
Included in current liabilities	127	70	1,034	1,231
Included in non-current liabilities	26	—	—	26
At 31 March 2024	153	70	1,034	1,257
Total provisions 2023				
Included in current liabilities	1,094	303	—	1,397
Included in non-current liabilities	1,738	57	—	1,795
At 31 March 2023	2,832	360	—	3,192

The dilapidations provision relates to the outflows which will be incurred when returning properties to their original condition at the end of the lease period. From the point of sale of the trade and the assets of the National ICT Business to Nasstar, the Group began to sub-lease a number of buildings to Nasstar and a dilapidations provision for those buildings was recognised. A review of the contract determined that the ultimate liability for dilapidations was with Nasstar and not the Group. As a result, the provision was reversed in the current year and a contingent liability of £1,003k is disclosed in Note 30 and the remainder of the reversal of £1,689k relates to the remaining properties where the contract has either expired or the contract has legally novated.

Onerous lease provision has been made for the estimated fair value of unavoidable incremental contract costs on unoccupied buildings. It is expected that these payments will arise over the next 2 years. This cost excludes the lease rental payments that are included as a lease liability under IFRS 16.

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

KCOM GROUP LIMITED

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25 Deferred tax liabilities

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

	Assets		Liabilities		Net	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Consolidated						
Property, plant and equipment	—	—	(12,806)	(10,670)	(12,806)	(10,670)
Tax losses	10,216	5,208	—	—	10,216	5,208
Retirement benefit obligation	—	—	(872)	(1,093)	(872)	(1,093)
Asset-backed partnership	—	—	(3,187)	(3,649)	(3,187)	(3,649)
Total	10,216	5,208	(16,865)	(15,412)	(6,649)	(10,204)

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

	Note	Property, plant and equipment £'000	Tax losses £'000	Other timing differences £'000	Retirement benefit obligation £'000	Intangible assets arising on acquisition £'000	Asset- backed partnerships £'000	Total £'000
Consolidated								
At 1 April 2022		(11,878)	4,150	—	(8,857)	—	(4,026)	(20,611)
Credited/(charged) to the income statement	11	1,208	1,058	—	(1,258)	—	377	1,385
Credited directly to equity and other comprehensive income		—	—	—	9,022	—	—	9,022
At 31 March 2023		(10,670)	5,208	—	(1,093)	—	(3,649)	(10,204)
Charged/(credited) to the income statement	11	(2,136)	5,008	—	(1,455)	—	462	1,879
Charged directly to equity and other comprehensive income		—	—	—	1,676	—	—	1,676
At 31 March 2024		(12,806)	10,216	—	(872)	—	(3,187)	(6,649)

There are no deferred tax assets in the Parent Company (2023: £Nil).

Management have confirmed that the deferred tax assets will be recoverable using the estimated future taxable income based on approved forecasts for the Group. The losses are expected to be utilised over the next 3 years.

Following a review of the disclosure of deferred tax assets and liabilities on the balance sheet it was identified that deferred tax assets and liabilities were incorrectly disclosed gross. The correct treatment was to offset deferred tax assets and liabilities and the net liability was to be disclosed on the balance sheet in accordance with IAS 12 paragraph 74. The impact of correcting on the balance sheet as at 1 April 2022 and 31 March 2023 can be seen in note 4. The net amount on the balance sheet remains unchanged.

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

	Not recognised	
	2024 £'000	2023 £'000
Losses	1,907	1,907

Deferred tax assets of £1,213k (2023: £3,757k) have been recognised in those subsidiary companies in which there is sufficient available evidence that suitable taxable profits will arise against which these assets are expected to reverse. There are additional deferred tax assets of £1,907k (2023: £1,907k) which have not been recognised, as there is insufficient evidence as to the generation of suitable profits against which these assets can be offset. The utilisation of these assets would reduce the Group's tax charge in future periods. Deferred tax has been provided at the rate at which it is expected to unwind.

26 Share Capital

	2024 £'000	2023 £'000
Allotted, called up and fully paid		
520,222,530 (2023: 520,222,530) ordinary shares of 10 pence each	52,022	52,022

During the financial year, the Company did not purchase any of its own shares (2023: Nil).

KCOM GROUP LIMITED

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27 Financial instruments and risk management

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

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

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

Liquidity risk

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

On 29 September 2020, the intermediate parent company, KCOM Holdco 3 Limited, entered into an external loan agreement. The agreement comprises of four facilities totalling available funds of £475,000k with a maturity date of 28 September 2025. Following an amend and extend process KCOM Holdco 3 has extended the maturity of these facilities by 2 years to September 2027. The facilities agreement was signed on 27 August 2024 with the resulting £445m facilities providing access to funding for the group alongside its internally generated cashflows. Certain statutory entities within the consolidated KCOM Group Limited financial statements act as guarantors for the loan facility.

As at 31 March 2024, the Group has £9,275k (2023: £14,089k) of available cash which is considered sufficient funding to meet its working capital requirements.

The net debt position of £162,798k at the beginning of the financial year including finance lease liabilities has decreased during the year to £158,340k. The Group experienced a cash outflow of £4,814k for the year (2023: inflow £4,538k).

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

Consolidated	Less than one year £'000	One to three years £'000	Over three years £'000
At 31 March 2023			
Loans from related parties	—	165,500	—
Trade and other payables	16,390	—	—
Lease liabilities	4,932	6,892	49
Total	21,322	172,392	49
At 31 March 2024			
Loans from related parties	—	164,000	—
Trade and other payables	17,782	—	—
Lease liabilities	2,087	1,651	—
Total	19,869	165,651	—

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

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Rental contracts typically have a fixed term ranging from 12 months for assets such as fibres and cables up to 10 years for some network properties. Once the fixed term is complete, leases enter a rolling period which can be terminated by both parties upon giving notice of 12 months or less. Generally, there are no specific extension options included in the contracts.

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

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

27 Financial instruments and risk management (continued)

Foreign currency risk

Cash flow exposure

The Group's only foreign currency risk arises due to the purchase of equipment in US Dollars. Given the values involved and therefore risk, we do not actively hedge this position.

The Group also has some Euro cash flows but these are not material.

Translation exposure

The Dollar-denominated purchases described above results in a balance sheet exposure for any outstanding creditors. It is the Group's policy not to hedge this exposure.

Market risk

The Group is exposed to market risk with respect to foreign currency fluctuations, as detailed above, and regarding the valuation of the pension assets. IAS 19 assumptions and sensitivity analysis are detailed in Note 30.

Credit risk

Risk management

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

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

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

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

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

Impairment of financial assets

The Group has three types of financial assets which are trade receivables, unbilled receivables and contract assets that are subject to the expected credit loss model:

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

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

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

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

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27 Financial instruments and risk management (continued)

Credit risk (continued)

On that basis, the loss allowance as at 31 March 2024 and 31 March 2023 was determined as follows for both trade receivables and contract assets:

At 31 March 2024	Days past due					Total
	Current	1-30	31-60	61-120	120+	
Weighted average expected loss rate	0%	4.0%	4.3%	51.8%	60.9%	5.0%
Gross carrying amount of trade receivables	4,100	378	702	107	329	5,616
Gross carrying amount of unbilled receivables	344	—	—	—	—	344
Gross carrying amount of contract assets	27	—	—	—	—	27
Loss allowance	—	(14)	(30)	(56)	(200)	(300)

At 31 March 2023	Days past due					Total
	Current	1-30	31-60	61-120	120+	
Weighted average expected loss rate	0.9%	1.4%	4.9%	27.1%	48.9%	5.1%
Gross carrying amount of trade receivables	2,732	3,582	428	271	633	7,646
Gross carrying amount of unbilled receivables	558	—	—	—	—	558
Gross carrying amount of contract assets	1,706	—	—	—	—	1,706
Loss allowance	(48)	(52)	(22)	(73)	(309)	(504)

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

Consolidated	Trade receivables	Unbilled receivables	Contract assets	Total
	£'000	£'000	£'000	£'000
At 1 April 2023	(478)	(16)	(10)	(504)
Written off in the year	(262)	—	—	(262)
Amounts released in the year	466	—	—	466
At 31 March 2024	(274)	(16)	(10)	(300)

Currency and interest rate risk profile of financial assets and financial liabilities

Financial assets

The Group had financial assets of £16,000k at the year-end (2023: £28,705k), of which £9,275k (2023: £14,089k) comprised of cash at bank. This attracts floating rates of interest.

The currency profile of the Group's cash and cash equivalents at 31 March 2024 and 31 March 2023 was:

Consolidated	2024	2023
	£'000	£'000
Currency		
Sterling	8,929	13,493
US Dollar	277	562
Euro	69	34
Total	9,275	14,089

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

At the year-end £1,300k (2023: £1,300k) of cash collateral was held in respect of a bank guarantee given under Ofcom's "Funds for Liabilities" regulations. The £1,300k guarantee is included within the above table is classified as 'restricted cash' and is not available for general use.

Financial liabilities

The currency and interest rate risk profile of KCOM Group's financial borrowings at 31 March 2024 and 31 March 2023 was:

Consolidated	2024	2023
	Fixed £'000	Fixed £'000
Sterling	164,000	165,500

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

Interest on amounts owed to related parties is based on a fixed rate of 5.5%. All trade payable balances bear no interest and are held in Sterling with the exception of an equivalent of £0.3 million (2023: £0.5 million) which is held in US Dollars.

KCOM GROUP LIMITED

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27 Financial instruments and risk management (continued)

Capital risk management

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

Consistent with others in the industry, the Group monitors capital on the basis of its gearing ratio. This ratio is calculated as net debt divided by total capital. For the definition and reconciliation of net debt to the closest equivalent UK adopted international accounting standards measure see the definitions on page 47.

All of the Group's financial instruments are measured by inputs other than quoted prices.

Total capital is shown in the table below and is calculated as "equity" as shown in the consolidated balance sheet plus net debt.

	2024 £'000	*Restated 2023 £'000
Consolidated		
Net debt	158,340	162,798
Total equity	32,190	37,380
Total capital	190,530	200,178

*See note 4 for further details.

On 29 September 2020, the intermediate Parent Company, KCOM Holdco 3 Limited, entered into an external loan agreement, for which certain statutory entities within the consolidated KCOM Group Limited financial statements act as guarantors. Consequently, the Group is required to comply bi-annually with certain financial covenants, namely maintaining a minimum interest cover ratio and a maximum leverage ratio. Both financial covenants were tested and complied with during the year.

Following an amend and extend process KCOM Holdco 3 has extended the maturity of these facilities by 2 years to September 2027. The facilities agreement was signed on 27 August 2024 with the resulting £445m facilities providing access to funding for the group alongside its internally generated cashflows.

28 Financial commitments

Authorised future capital expenditure and financial investment for continuing operations in the years ended 31 March 2024 and 31 March 2023 amounted to:

	2024 £'000	2023 £'000
Consolidated		
Property, plant and equipment	4,031	2,804
Intangible assets	103	924
Total	4,134	3,728

29 Retirement benefit asset – Consolidated

Defined benefit schemes

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

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

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

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

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

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29 Retirement benefit asset – Consolidated (continued)

The pension schemes are subject to a full actuarial valuation every three years using assumptions agreed between the Trustees and the Group. The purpose of this valuation is to design funding plans to ensure that the pension schemes have sufficient funds available to meet future benefit payments. The Company's funding policy is to ensure assets are always sufficient to cover accrued service liabilities. There are no employer contributions scheduled for the future for both schemes. The Scheme's liabilities continue for approximately 12 years for the Main Scheme and 13 years for the Data Scheme.

The information disclosed below is based on the preliminary results of the latest formal actuarial valuation of the plans, which was undertaken as at 1 April 2022. This has been updated to 31 March 2024 by an independent qualified actuary, using assumptions that are consistent with the requirements of IAS19.

Surplus positions of £3.1 million on the Main scheme and £0.4 million on the data scheme have been recognised. This is recognised on the basis that, in line with the scheme rules, any excess funds are recoverable upon winding up of the scheme. This is consistent for both the schemes and supports the application that there are no additional liabilities from minimum funding requirements under IFRIC 14.

Risk

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

Specific risks include:

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

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

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

	Main scheme			Data scheme			Combined schemes		
	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000	Present value of obligation £'000	Fair value of plan assets £'000	Total £'000
Consolidated									
At 1 April 2022	210,962	(245,161)	(34,199)	38,217	(44,561)	(6,344)	249,179	(289,722)	(40,543)
Administrative expenses	—	637	637	—	341	341	—	978	978
Interest expense/(income)	5,470	(6,400)	(930)	971	(1,139)	(168)	6,441	(7,539)	(1,098)
Total amount recognised in profit or loss	5,470	(5,763)	(293)	971	(798)	173	6,441	(6,561)	(120)
<i>Remeasurements:</i>									
Loss on plan assets, excluding amounts included in interest	—	68,798	68,798	—	14,393	14,393	—	83,191	83,191
Gains from change in financial assumptions	(31,715)	—	(31,715)	(7,479)	—	(7,479)	(39,194)	—	(39,194)
(Gains)/losses arising from changes in demographic assumptions	(6,317)	—	(6,317)	(1,594)	—	(1,594)	(7,911)	—	(7,911)
Total amount recognised in other comprehensive income	(38,032)	68,798	30,766	(9,073)	14,393	5,320	(47,105)	83,191	36,086
<i>Employer contributions:</i>									
Contributions via asset-backed partnership	—	(2,590)	(2,590)	—	(355)	(355)	—	(2,945)	(2,945)
Benefit payments	(9,339)	9,339	—	(2,950)	2,950	—	(12,289)	12,289	—
At 31 March 2023	169,061	(175,377)	(6,316)	27,165	(28,371)	(1,206)	196,226	(203,748)	(7,522)

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29 Retirement benefit asset – Consolidated (continued)

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

Significant estimates: IAS 19 assumptions and sensitivity

The significant IAS 19 assumptions were as follows:

	2024		2023	
	Main scheme	Data scheme	Main scheme	Data scheme
RPI inflation	3.30%	3.25%	3.30%	3.30%
CPI inflation	2.85%	2.80%	2.85%	2.85%
Rate of increase to pensions in payment	2.70%	3.88%	2.73%	3.88%
Discount rate for scheme liabilities	4.80%	4.80%	4.75%	4.75%

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

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

	2024		2023	
	Main scheme	Data scheme	Main scheme	Data scheme
Retiring at the end of the reporting year:				
Male	21	22	21	22
Female	23	24	23	24
Retiring 20 years after the end of the reporting year:				
Male	22	23	23	24
Female	24	25	25	26

KCOM GROUP LIMITED

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FOR THE YEAR ENDED 31 MARCH 2024

29 Retirement benefit asset – Consolidated (continued)

Significant estimates: IAS 19 assumptions and sensitivity (continued)

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

	Increase in assumption				Decrease in assumption			
	2024		2023		2024		2023	
	Main scheme £'000	Data scheme £'000	Main scheme £'000	Data scheme £'000	Main scheme £'000	Data scheme £'000	Main scheme £'000	Data scheme £'000
Sensitivity to 1% change to:								
Discount rate	(10.3%)	(11.1%)	(10.6%)	(11.4%)	12.4%	13.4%	12.8%	13.9%
RPI Inflation	10.4%	3.7%	10.3%	3.5%	(8.7%)	(3.4%)	(8.3%)	(3.1%)
Sensitivity to 1 year change in life expectancy	(3.4%)	(3.9%)	(3.1%)	(3.3%)	(3.5%)	(3.7%)	3.0%	3.3%

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

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

Balance sheet amounts

The major categories of plan assets are as follows:

	2024				2023			
	Main scheme £'000	Data scheme £'000	Total £'000	%	Main scheme £'000	Data scheme £'000	Total £'000	%
Consolidated								
Leveraged gilts (unquoted)	854	4,793	5,647	3%	487	5,054	5,541	3%
Gilts (quoted)	1,502	—	1,502	1%	3,568	—	3,568	2%
Indexed linked gilts (quoted)	39,599	—	39,599	20%	27,118	—	27,118	13%
Leveraged index linked gilts (unquoted)	—	2,305	2,305	1%	—	4,107	4,107	2%
Interest rate swaps (unquoted)	—	—	—	0%	163	—	163	0%
Inflation swap fund (unquoted)	—	—	—	—%	3,731	896	4,627	2%
Inflation swap fund (quoted)	3,297	519	3,816	2%	—	—	—	0%
Liability matching funds (unquoted)	45,252	7,617	52,869	27%	35,067	10,057	45,124	22%
Hedge funds (unquoted)	105,610	17,341	122,951	64%	109,777	16,360	126,137	62%
Illiquid credit (unquoted)	12,773	—	12,773	7%	14,798	—	14,798	7%
Cash and cash equivalents (quoted)	2,352	1,751	4,103	2%	15,735	1,954	17,689	9%
Total	165,987	26,709	192,696	100%	175,377	28,371	203,748	100%

Liability Matching Funds

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

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

Future benefit payments

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

The Parent Company provides a guarantee to both defined benefit schemes, whereby if KCH (Holdings) Limited is unable to meet its obligations to the schemes, such obligations would be met by the Parent Company. No liability has been recognised in respect of the guarantee at 31 March 2024 (2023: £Nil).

Defined contribution schemes

The Group operates defined contribution schemes, which are open to all eligible employees. Contributions charged to the income statement in respect of defined contribution schemes amounted to £1,929k (2023: £1,842k).

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FOR THE YEAR ENDED 31 MARCH 2024

30 Other commitments and contingent liabilities

Contingent liabilities existed at 31 March 2024 and at 31 March 2023 in respect of guarantees given by the Parent Company on behalf of subsidiary undertakings. None of these guarantees are considered material in the context of the net assets of the Group.

Bank borrowings

On 29 September 2020, the direct Parent Company, KCOM Holdco 3 Limited, entered into a new loan agreement. Certain statutory entities within the consolidated KCOM Group Limited financial statements act as guarantors for the loan facility.

The agreement is comprised of four facilities totalling total available funds of £475,000k with a maturity date on 28 September 2025.

At 31 March 2024, a combined amount of £395,000k (2023: £390,000k) was drawn down under the agreement, with the remaining being available to draw down upon request over the duration of the loans.

Following an amend and extend process KCOM Holdco 3 has extended the maturity of these facilities by 2 years to September 2027. The facilities agreement was signed on 27 August 2024 with the resulting £445m facilities providing access to funding for the group alongside its internally generated cashflows.

Retirement benefit asset

In June 2023, the UK High Court (*Virgin Media v NTL Pension Trustees II Limited*) ruled that certain historical amendments for contracted out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment was appealed but, on 25 July 2024, the Court of Appeal upheld the High Court's 2023 decision. The Trustees of the schemes and the Group are investigating whether there is a potential impact and if a potential impact is discovered the Group will work with the pension scheme to assess any implications. At the date of approval of these financial statements the outcome of this review by the Group is unknown and ongoing.

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

Other guarantees

The company has contingent liabilities in respect of payments under minimum usage agreements of £2,080k (2023: £3,120k), and has provided guarantees to properties leased by third parties to landlords of £1,003k (2023: £1,846k).

31 Related party transactions

Remuneration of key management personnel

The total remuneration for key management personnel for the year totalled £1,328k (2023: £1,640k).

Key management personnel are those considered to exercise authority and responsibility for planning, directing and controlling the activities of the Group. Members of the Executive leadership team assist the directors in their duties but do not hold authority to control the activities of the Group. Therefore, key management personnel are considered to be the Executive Board Directors and the Chief Financial Officer. See Note 9 for disclosure of the directors' remuneration.

Intra-Group transactions

Amounts payable by the Company to subsidiaries totalled £545k as at 31 March 2024 (2023: £545k).

Amounts receivable from KCOM Holdco 1 Limited (the ultimate UK parent company), KCOM Holdco 2 Limited and KCOM Holdco 3 Limited (the immediate parent undertaking) totalled £725k (2023: £760k). See Note 18 for further details.

Amounts payable by the Group to KCOM Holdco 3 Limited, the immediate parent undertaking as at 31 March 2024 totalled £164,000k (2023: £165,500k). See Note 20 for further details.

Joint ventures

There were no related party transactions with joint ventures during the year ended 31 March 2024 (2023: nil).

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FOR THE YEAR ENDED 31 MARCH 2024

32 Subsequent events

The Group's loan facilities were originally entered into by KCOM Holdco 3 Limited in September 2020 with a maturity at end September 2025. The facilities comprise total available funds of £475.0 million with a combined amount of £395.0 million drawn down as at 31 March 2024.

Following an amend and extend process KCOM Holdco 3 Limited has extended the maturity of these facilities by 2 years to September 2027. The facilities agreement was signed on 27 August 2024 with the resulting £445m facilities providing access to funding for the group alongside its internally generated cashflows.

33 Parent undertaking and controlling party

The immediate parent undertaking is KCOM Holdco 3 Limited.

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

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

Glossary – Unaudited

Alternative Performance Measures (“APMs”)

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

Measure	Closest equivalent IFRS measure	Definition and purpose	Reconciliation to closest equivalent IFRS measure
Profit/(loss) measures			
EBITDA before exceptional items ('EBITDA')	Profit/(loss) before tax	<p>EBITDA before exceptional items is the key measure used by management to monitor the underlying performance of the Group. EBITDA before exceptional items is also reported to the Board, is incorporated in banking covenants and is an important measure for setting remuneration. EBITDA before exceptional items is important to the users of the financial statements as it assists with comparing performance from previous periods. The items classified as exceptional items are described in Note 8.</p> <p>EBITDA before exceptional items is defined as “profit/(loss) before tax” before share of profit before associates, finance costs, amortisation, depreciation and exceptional items.</p>	<p>Loss before tax as quoted in the consolidated income statement (£1,621k), add back finance income and finance costs (net £8,796k cost) as quoted on the consolidated income statement, add back depreciation and amortisation (£32,682k) and depreciation of ROU assets (£564k), add loss on disposal of tangible assets (£251k), less profit on disposal of intangible assets (£1,538k), less profit on disposal of ROU assets (£2k), as quoted on the consolidated cash flow statement, add back exceptional charge (£3,265) as quoted in Note 8.</p>
Cash flows and net debt measures			
Net debt before leases	Cash and cash equivalents, bank overdrafts, bank loans and loans from related parties	<p>Net debt before finance leases is important as it allows management to assess available funds by calculating how much headroom there is within the Group’s borrowing facilities. It is used in the monitoring, reporting and planning of cash flows.</p> <p>Net debt before finance leases is cash and cash equivalents, bank overdrafts, bank loans and loans from related parties. It excludes the impact of finance lease liabilities.</p>	<p>A reconciliation of this measure is provided in Note 21 of the financial statements.</p>
Cash capital expenditure	Net cash used in investing activities	<p>A proportion of our capital expenditure is obtained under financing arrangements therefore, compared to capital additions, this measure allows management to monitor, report and plan the cash flows relating to capital projects. This measure is important to the users of the financial statements as it provides the outflow of cash expenditure in the current year relating to assets purchased in the current and prior years.</p> <p>Cash capital expenditure is net cash used in investing activities before proceeds from sale of property, plant and equipment plus capital element of finance lease repayments.</p>	<p>Reported in the consolidated cash flow statement: Net cash used in investing activities (£27,442k), add back proceeds from sale of intangible assets (£1,945k).</p>