

Notes to the financial statements

for the year ended 31 March 2015

04 Segmental analysis

Management has determined the operating segments based on the reports reviewed by the KCOM Group PLC Board that are used to make strategic decisions. The chief operating decision-maker of the Group is the KCOM Group PLC Board. The Board considers the performance of the four brands and the PLC function in assessing the performance of the Group and making decisions about the allocation of resources. These are the Group's operating segments.

The KC brand addresses the needs of our Hull and East Yorkshire customers and the Eclipse, Kcom and Smart421 brands serve enterprise, public sector organisations and small business markets across the UK.

The Board assessed that the Eclipse, Kcom and Smart421 brands have similar profiles, offering similar products and services, and similar production and distribution processes, and are operating in a consistent regulatory environment. In line with IFRS 8, the Eclipse, Kcom and Smart421 brands are aggregated together and reported as the 'Kcom' segment for the year ended 31 March 2015. The remaining brands of KC and the PLC function are reported respectively in the 'KC' segment and the 'PLC' segment. This reporting is also consistent with the reporting to the KCOM Group PLC Board.

The segment information provided to the KCOM Group PLC Board for the reportable segments, for the year ended 31 March 2015 and for the year ended 31 March 2014, is as follows:

	Notes	Revenue		EBITDA	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Before exceptional items					
KC		104,751	105,021	56,368	56,155
Kcom		248,593	270,891	25,687	28,714
PLC ¹		(5,360)	(5,215)	(7,751)	(9,578)
Activities before exceptional items		347,984	370,697	74,304	75,291
Exceptional items					
KC		—	—	5,027	(499)
Kcom		—	—	(37,435)	1,864
PLC ¹		—	—	(2,380)	(777)
Total	7	—	—	(34,788)	588
Total		347,984	370,697	39,516	75,879

1. PLC comprises shared service functions, share scheme expenses, and administration costs associated with the Group's defined benefit pension schemes.

A reconciliation of total EBITDA to profit before tax is provided as follows:

	Notes	2015 £'000	2014 £'000
EBITDA post-exceptional items			
Depreciation	16	(12,033)	(16,882)
Amortisation	15	(5,078)	(3,390)
Finance costs	9	(5,725)	(5,075)
Share of profit/(loss) of associate	17	13	(2)
Profit before tax		16,693	50,530

Disclosure has not been made of segmental assets and liabilities. This is in accordance with IFRS 8 as this measure is not provided regularly to the KCOM Group PLC Board.

Notes to the financial statements continued

for the year ended 31 March 2015

04 Segmental analysis continued

The split of total revenue between external customers and inter-segment revenue is as follows:

	2015 £'000	2014 £'000
Revenue from external customers		
KC	99,597	99,573
Kcom	248,033	270,470
PLC ¹	354	654
Total	347,984	370,697
Inter-segment revenue		
KC	5,154	5,448
Kcom	560	421
PLC ¹	(5,714)	(5,869)
Total	—	—
Group total	347,984	370,697

1. PLC includes Public Company central and share scheme expenses, inter-segment eliminations and the costs, excluding current and past service costs, associated with the Group's defined benefit pension schemes and the related assets and liabilities.

Inter-segment sales are charged at prevailing market prices.

None of the revenue, operating profit or net operating assets arising outside the United Kingdom are material to the Group.

The Group is not dependent upon a single or small number of external customers.

The analysis of the Group's revenue between sale of goods and the provision of services is as follows:

	2015 £'000	2014 £'000
Sale of goods	7,018	11,606
Provision of services	340,966	359,091
Group total	347,984	370,697