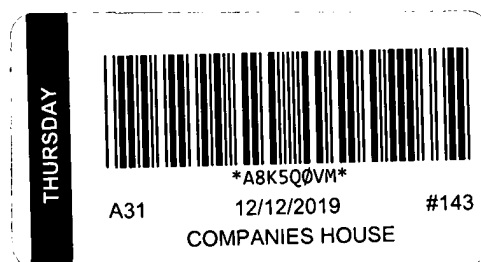


AFFINITI INTEGRATED SOLUTIONS LTD

Annual Report and Financial Statements

for the year ended 31 March 2019



AFFINITI INTEGRATED SOLUTIONS LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31
MARCH 2019

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AFFINITI INTEGRATED SOLUTIONS LTD

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

W Halbert (resigned 29 November 2018)

G Sutherland (appointed 15 October 2018, resigned 22 October 2019)

A Bielby (appointed 15 October 2018)

D Raneberg (appointed 14 November 2019)

COMPANY SECRETARY

K Smith (resigned 21 August 2018)

S Jones (appointed 5 November 2018)

REGISTERED OFFICE

37 Carr Lane

Hull

HU1 3RE

BANKERS

Royal Bank of Scotland

3rd Floor,

2 Whitehall Quay

Leeds

LS1 4HR

AFFINITI INTEGRATED SOLUTIONS LTD

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present the annual report and the audited financial statements of the company for the year ended 31 March 2019. This report has been presented in accordance with the special provisions relating to small companies within section 414B and 415A of the Companies Act 2006.

FUTURE DEVELOPMENTS

The company is dormant and did not trade in the current year and is not expected to trade in the foreseeable future. During prior year the company recognised a loss of £13,052,000 due to the waiver of intercompany balances as part of the group wide restructuring of statutory entities.

DIVIDENDS

The company has paid no ordinary dividends (2018: £Nil) during the year. The directors do not recommend the payment of a final dividend (2018: £Nil).

FINANCIAL RISK MANAGEMENT

The directors do not consider that the company is subject to any financial risks requiring disclosure.

EMPLOYEES

The company has no employees.

DIRECTORS

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 101, 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 keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Approved by the board and signed on its behalf



A Bielby
Director

20 November 2019

AFFINITI INTEGRATED SOLUTIONS LTD
INCOME STATEMENT
For the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
Other operating expenses	2	-	(13,052)
Result/(loss) before taxation		-	(13,052)
Taxation	3	-	-
Result/(loss) for the financial year		-	13,052)

Analysed as:			
EBITDA before exceptional items		-	-
Exceptional charges	4	-	(13,052)

There is no other comprehensive income for the year.

The notes on pages 6 to 9 are an integral part of these financial statements.

Affiniti Integrated Solutions Ltd

Company Registration No. 2817039

AFFINITI INTEGRATED SOLUTIONS LTD
STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	2019 £'000	2018 £'000
Current assets			
Trade and other receivables		-	-
		-	-
Creditors: amounts falling due within and after more than one year		-	-
Net assets		-	-
Equity			
Called up share capital	5	-	-
Retained earnings		-	-
Total shareholders' funds		-	-

For the year ending 31 March 2019 the Company was entitled to exemption from audit under Section 480 of the Companies Act 2006 relating to small companies.

The members have not required the Company to obtain an audit of its accounts for the year in question in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

The notes on pages 6 to 9 are an integral part of these financial statements.

The financial statements on pages 3 to 9 were approved by the Board of Directors and authorised for issue on 26 November 2019. They were signed on its behalf by:



A Bielby
Director

Affiniti Integrated Solutions Ltd

Company Registration No. 2817039

AFFINITI INTEGRATED SOLUTIONS LTD
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2019

	Called up share capital £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2017	-	13,052	13,052
Loss for the financial year	-	(13,052)	(13,052)
Total comprehensive income for the year	-	(13,052)	(13,052)
At 31 March 2018	-	-	-
Result for the financial year	-	-	-
Total comprehensive expense for the year	-	-	-
At 31 March 2019	-	-	-

The notes on pages 6 to 10 are an integral part of these financial statements.

AFFINITI INTEGRATED SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

1. ACCOUNTING POLICIES

Affiniti Integrated Solutions Ltd is a private company, limited by shares, incorporated and domiciled in the United Kingdom. The address of the registered office is 37 Carr Lane, Hull HU1 3RE. The nature of the company's operations is described within the Directors report on page 2.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of accounting

The accounts have been prepared on a basis other than a going concern as the company does not trade. The company is dormant and will remain dormant until a decision is made about the future of the company.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act) as appropriate to companies using FRS101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 7 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations. The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

- a) Statement of cash flows
- b) Capital risk management
- c) Related party transactions
- d) Accounting policies issued but not yet effective

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

Consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 400 of the Companies Act 2006 because its immediate parent undertaking is incorporated within the European Union and it is included and consolidated within the group accounts of KCOM Group Limited (formerly KCOM Group PLC).

Critical accounting judgements and estimates

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Critical accounting estimates are consistent with those disclosed in the group financial statements.

New and amended standards adopted by the company

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 April 2018 that have had a material impact on the company.

AFFINITI INTEGRATED SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

1. ACCOUNTING POLICIES (CONTINUED)

Trade receivables

Trade receivables are recognised initially at fair value and measured subsequently at amortised cost, using the effective interest method, less any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts written off are credited against operating expenses in the income statement.

Share capital

Ordinary shares are classified as equity.

Exceptional items

Exceptional items are presented whenever significant expenses are incurred or income is received as a result of events considered to be outside the normal course of business, where the unusual nature and expected frequency merits separate presentation to assist comparisons with previous periods. Items which are always classified as exceptional are:

- Regulatory matters;
- Termination costs of Executive Directors; and
- Intercompany loan waivers and impairment of investments in subsidiaries arising as a result of Group restructuring of statutory entities.

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.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax payable is currently 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 company'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 company 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.

AFFINITI INTEGRATED SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

1. ACCOUNTING POLICIES (CONTINUED)

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

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

2. OTHER OPERATING EXPENSES

	2019	2018
	£'000	£'000
Waiver of intercompany loans	-	(13,052)

Fees payable to the Company's auditors with respect to the statutory audit of the financial statements have been borne by a fellow Group company.

3. TAXATION

The charge based on the (loss)/result before taxation comprises:

	2019	2018
	£'000	£'000
UK corporation tax:		
– current tax on result/(loss) for the year	-	-
Total current tax	-	-
UK deferred tax:		
Origination and reversal of temporary differences in respect of:		
– result/(loss) for the year	-	-
Total deferred tax	-	-
Total taxation charge for the year	-	-

Factors affecting tax charge for the year:

	2019	2018
	£'000	£'000
Result/(loss) on ordinary activities before taxation	-	(13,052)
Result/(loss) on ordinary activities before taxation at the standard rate of corporation tax in the UK of 19% (2018: 19%)	-	(2,480)

Effects of:

– non-taxable impairment of long term intercompany balances	-	2,480
Total taxation charge for the year	-	-

Factors affecting the current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from April 2017 and to 17% from April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

AFFINITI INTEGRATED SOLUTIONS LTD
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2019

4. EXCEPTIONAL CHARGES

	2019	2018
	£'000	£'000
Waiver of intercompany loans	-	(13,052)

On 31 March 2018, as part of the group wide restructuring of statutory entities, the Company waived its intercompany receivable from KCOM Holdings Limited of £13,052,000.

5. CALLED UP SHARE CAPITAL

	2019	2018
	£'000	£'000
Allotted and fully paid		
41,000,001 (2018: 41,000,001) ordinary shares of £0.00001 each (2018: £0.00001)	-	-

6. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Kingston Service Holdings Limited. Copies of financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE.

As at 31 March 2019, the parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member is KCOM Group Limited (formerly KCOM Group PLC), registered in England and Wales. Copies of KCOM Group Limited (formerly KCOM Group PLC)'s annual report and financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE.

Following the acquisition of KCOM Group Limited (formerly KCOM Group PLC) as detailed in Note 7, the company's ultimate parent and controlling party is Macquarie European Infrastructure Fund 6 SCSp (an investment fund managed by Macquarie Infrastructure and Real Assets (Europe) Limited), registered in Luxembourg.

7. SUBSEQUENT EVENTS

On 30 July 2019, MEIF 6 Fibre 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), obtained Court approval for their offer to obtain 100% of the ordinary share capital of KCOM Group limited (formerly KCOM Group PLC) via a Scheme of Arrangement. It became effective on 1 August 2019 and KCOM Group Limited (formerly KCOM Group PLC) was de-listed from the premium list of the London Stock Exchange on 2 August 2019.

As a result of the acquisition, a change in control clause was triggered to repay the drawn down amount under the £180.0 million multi-currency revolving facility, dated 30 September 2016, for which the Company was a guarantor. As at 31 March 2019 KCH (Holdings) Limited had borrowings of £115.0m outstanding under this agreement. The outstanding amount was repaid on 31 October 2019, using funds secured from a short-term intercompany loan from MEIF 6 Fibre Limited to KCH (Holdings) Limited. At the date of repayment, KCH (Holdings) Limited had borrowings of £145.0m and interest of £0.3m outstanding under this agreement. The £145.3m intercompany loan is unsecured and repayable within 1 year.