

**REGISTERED NUMBER: 11334361 (England and Wales)**

Reports and financial statements  
for the Period 27 April 2018 to 31 December 2018  
for  
Divitias Midco Limited



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for the Period 27 April 2018 to 31 December 2018

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Divitias Midco Limited

Company Information

for the Period 27 April 2018 to 31 December 2018

**DIRECTORS:**

A A Thirkill  
A R Clarke  
T Howard  
D W Sasaki  
W Ahmad

**REGISTERED OFFICE:**

Global House  
2 Crofton Close  
Lincoln  
Lincolnshire  
LN3 4NT

**REGISTERED NUMBER:**

11334361 (England and Wales)

**AUDITORS:**

Ernst & Young LLP  
No. 1 Colmore Square  
Birmingham  
B4 6HQ

**BANKERS:**

HSBC Bank PLC  
26 Clumber Street  
Nottingham  
NG1 3GA

Divitias Midco Limited (Registered number: 11334361)

Group Strategic Report  
for the Period 27 April 2018 to 31 December 2018

The Directors present their Strategic Report together with the audited financial statements for the period 27 April 2018 to 31 December 2018.

**PRINCIPAL ACTIVITIES**

The principle activity of the Group is to provide converged ICT services and solutions to mid-tier Corporate, Public sector and Enterprise accounts, which are designed to support customers on their journey from digital transformation to digital business as usual. The Group provides many of its services on a subscription-based "per user, per month" model.

The Group's model embraces 5 core Technology Pillars: IT Support, Unified Communications, Cloud, Security & Compliance and Network & Infrastructure. This range of services has been refined and broadened since (i) GCI's incumbent Executive Team was assembled in 2016 and (ii) the acquisition of Managed Services specialist Blue Chip Data Systems in 2017. GCI's services and solutions are geared to help deliver positive business outcomes while transitioning customers from legacy technology to next-generation environments.

The company acts as a holding company for its subsidiary undertakings.

**BUSINESS REVIEW**

Divitias Midco Limited was incorporated on 27 April 2018 by immediate parent Divitias Holdco Limited which was set up by private equity house Mayfair Equity Partners LLP ('Mayfair'), to facilitate the acquisition of GCI Managed Services Group Limited and its subsidiaries (the 'legacy Group').

On 4 May 2018, the Group received financing to acquire, through its intermediate subsidiary Divitias Bidco Limited, a majority stake in GCI Managed Services Group Limited.

Mayfair's investment includes the formation of an M&A fund worth over GBP 60 million, providing GCI with significant financial firepower to finance future strategic acquisitions.

As part of the transaction, the Group also acquired the shares owned by Chairman Wayne Martin, who remains on the board of Divitias Holdco Limited, and the full minority stake held by BGF Ventures, which has backed the legacy Group since 2012.

Currently the business operates multiple services under the GCI brand to over 3,500 customers. Mayfair's investment in GCI comes at an exciting time for the company and the M&A fund will allow the company to accelerate its growth into one of the largest converged ICT services providers in the UK.

**FUTURE DEVELOPMENTS**

For the 2019 financial year, we will continue to invest in our systems, processes and to consolidate historic acquisitions and realise cost savings across the Group.

In June 2019 GCI acquired Modality Systems Limited. Management will continue to evaluate M&A opportunities that reinforce the Group's strategy of building a market-leading cloud and intelligent communications proposition with global reach and a leading portfolio of product and services.

## KEY PERFORMANCE INDICATORS

The Key Performance Indicators of the Business are set out below:

	2018
Revenue (£'000)	62,732
Gross Profit (£'000)	23,804
EBITDA* (£'000)	11,194
Profit/ (loss) before tax for the period	(22,176)

The trading results of the legacy Group above were previously reported within the consolidated financial statement of GCI Managed Services Group Limited which is now an intermediate parent company and therefore no longer prepares consolidated financial statements.

The full year result to include the pre- acquisition period is set out below:

	2018	2017
Revenue (£'000)	94,680	86,677
Gross Profit (£'000)	40,185	37,402
EBITDA* (£'000)	17,339	14,253
Profit/ (loss) before tax for the period	(18,472)	(2,409)

\*EBITDA is defined to be Profit before Interest, Tax, Depreciation, Amortisation and Exceptional items and Profit/ (losses) on disposal of assets

## STRATEGY AND OBJECTIVES

The legacy Group has grown as a result of acquisitions and through sales-led organic growth. The incumbent leadership team continues to build on almost two decades of steady investment in the Group's services portfolio to, help the business capture the digital transformation opportunity and further penetrate the UK ICT market valued at £91.5 billion. Specifically, the Group intends to accelerate its growth trajectory by:

- Further acquisitions to accelerate market share growth or complement the Group's 5-pillar capability;
- Focusing the Group's vendor/partner ecosystem to differentiate high-value/high-demand technology solutions including Contact Centre Solutions, General Data Protection Regulation ('GDPR') Compliance Solutions, Private and Public cloud services and Unified Communicates as a Service ('UCaaS');
- Completing the rollout of a single suite of control systems (following multiple acquisitions) to help realise operational efficiencies, including full match-book capability.
- Focused cross-sell/up-sell campaigns following historic acquisitions and as enabled by new system integration enhancements.
- Continued investment in new product development to ensure the Group's product portfolio remains contemporary and comprehensive;

- Working with Microsoft in particular to enhance the Group's services, solutions and sector focus. The Group already has 8 Microsoft Gold certifications and was a headline sponsor at Future Decoded (Microsoft UK's single largest annual event) in 2016 and 2017 and the GCI team were centre stage in 2018.

- Recruiting, rewarding and retaining talented staff and building personal and company certifications. For example, at an individual level, the Group has more than 100 Microsoft certified professionals and at the company level, the Group has multiple Gold and Platinum accreditations with leading vendors.

- The Group is on 9 of 11 Public Sector Framework Agreements (RM1045) and G-Cloud. This represents significant opportunity within the £7.5 billion annual Public Sector spend.

- Maintaining customer contract renewal rates, and attracting new customers, by continuing the Group's focus on customer experience enhancements through The Group's Portals, Windows and Walls programme.

The Group is a leading Converged ICT Service Provider and one of a handful of organisations that can offer a fully managed, end-to-end portfolio of ICT services and solutions to support customer challenges and support customers digital transformation journey.

## **PRINCIPAL RISKS AND UNCERTAINTIES**

The Directors consider the principal risks and uncertainties that the Group is exposed to are regulatory change, market conditions and bad debt and liquidity risk as described further below.

### **Regulatory change**

The Group operates within the telecommunications sector in the UK, and is therefore regulated by Ofcom and subject to the conditions of the Communications Act 2003. A breach of these regulatory requirements could result in penalties, financial or otherwise. An increase in regulation could also cause increased compliance costs. The business actively monitors all changes to applicable regulations within the sector and provides training to staff to help prevent any non-compliance.

### **Market conditions**

The Group faces the risk that adverse currency fluctuations could lead to margin erosion on any contracts already closed prior to Brexit, due to increased equipment costs. However only a small percentage of the Group's cost base made up of a foreign currency, so the Group has limited exposure here. The Group also faces the risk that uncertainty and/or negative sentiment may cause customers to go out to tender, thus affecting the Group's pipeline of work.

Group Strategic Report  
for the Period 27 April 2018 to 31 December 2018

**Bad debt and liquidity risk**

The Group's management of credit and liquidity risk is discussed in the financial risk management section of this report.

**Data security**

The Group recognises that the confidentiality, integrity and availability of information created, maintained, transmitted, stored and hosted by it and its customers is vital. Management views this as one of its primary responsibilities, and fundamental to business best practice. The Group has therefore adopted and is certified to the Information Security Management System (ISMS) Standard ISO27001:2013. The Group is also certified through the Cybers Essentials Scheme. It has also adopted as best practice, BS10012:2017 – "Data Protection – Specification for a personal information management system.

**FINANCIAL RISK MANAGEMENT**

**Interest rate risk**

The Group carries the risk of losses through adverse changes in interest rates. The quantum of debt serviced by the Group relative to its EBITDA is considered very manageable and the Group has an interest rate cap in place until June 2021 over its £90m debt facility to reduce this risk.

**Credit risk**

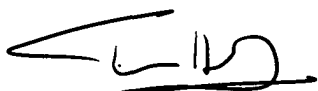
The Group is inherently exposed to the default risk of customers on credit terms. The Group's finance department operates a strict credit-checking process and assesses exposure on each deal prior to order acceptance and processing. To date, this has led to a very manageable volume (and value) of bad debt issues. Aged debts are monitored closely, and an effective collection process is in place.

**Liquidity**

To mitigate the risk of the Group not being able to meet its short term obligations when they are due, an effective working capital management process is in place. This includes an effective credit control process, as well as ongoing review and negotiation of supplier terms, with special terms being agreed for larger deals. The underlying trade of the Group is cash generative and consequently, management focus is on evaluating and integrating value accretive acquisitions.

This report was approved by the Board on 29/06/19 and signed on its behalf.

**ON BEHALF OF THE BOARD:**



.....  
T D Howard - Director

Date: 29th June 2019 .....

Divitias Midco Limited (Registered number: 11334361)

## Directors' Report

The Directors present their report together with the audited financial statements for the period ended 31 December 2018.

### **INCORPORATION AND ISSUE OF SHARES**

The Group was incorporated on 27 April 2018 issuing 1 £1 Ordinary Share which was fully paid.

### **DIVIDENDS**

No dividends were declared or were paid for the period ended 31 December 2018.

### **POST BALANCE SHEET EVENTS**

On 2 June 2019, the Group acquired 100% of the issued share capital of four subsidiaries of Premier Global Services Inc., including Modality Systems Limited, for \$15m. Further details are set out in note 25 to the financial statements.

### **RESEARCH AND DEVELOPMENT**

The Group continues to invest in research and development centred on advancing the Group's bespoke telecommunications software platforms in order to maintain a market-leading position. Costs incurred are expensed to the income statement as research unless they meet specific criteria, as disclosed in the accounting policies in note 1 of the financial statements, to be capitalised as development costs.

### **DIRECTORS**

The Directors who have held office during the period from 27 April 2018 to the date of this report are as follows:

M D Allen – appointed 4 May 2018 – resigned 8 April 2019  
A A Thirkill – appointed 4 May 2018  
W Ahmad – appointed 27 April 2018 – resigned 4 May 2018  
D W Sasaki – appointed 27 April 2018 – resigned 4 May 2018  
A R Clarke – appointed 29 April 2019  
T D Howard – appointed 29 April 2019

Qualifying third-party indemnity provisions for the benefit of the Directors were in force during the period.

Directors' Report  
for the Period 27 April 2018 to 31 December 2018

**EXECUTIVE BOARD STRUCTURE**

*Adrian Thirkill - Chief Executive Officer*

Adrian is an accomplished, internationally experienced and widely-networked business leader. With more than 20 years' industry experience, he has held senior appointments with Phoenix, COLT and most recently with Easynet Global Services, where he was Managing Director. He has a proven ability to build and lead teams who define, create and deliver results. He was instrumental in the sale of Easynet to Interoute in a deal valued at £402m.

*Timothy Howard - Chief Financial Officer*

Tim is a fellow of the ICAEW and of the Association of Corporate Treasurers and brings a wealth of experience including 30 years in finance and over 15 years in leadership roles across multiple hi-tech industries. With an outstanding reputation as a results-orientated, commercially focused executive who in recent years has gained extensive experience with several fast-paced, listed blue-chip companies, as well as private equity-backed, SME and start-up organisations.

**DIRECTORS LIABILITIES**

During the period Mr M Allen had a balance of £168,025 owing to the Group. This was still outstanding at the period end date. Mr M Allen resigned as a director on 8 April 2019.

**GOING CONCERN**

During the period, the Group incurred a loss before tax of £22,175,748 and has net liabilities of £22,320,301 at 31 December 2018. The Group made EBITDA before exceptional items of £11,194,495 and is cash generative. The directors have prepared profit and loss projections up to December 2022 supporting future profitability. The Group's net liabilities include a £21,894,333 loan from its parent which is repayable on demand, and therefore the Group is dependent on the support of its parent and ultimate parent.

During the period, the company incurred a loss before tax of £253,717 and has net liabilities of £253,716 at 31 December 2018. The company is a holding company and the subsidiaries of the company are cash generative and have net asset positions. The performance of the Group supports the company.

On this basis, the directors consider that the company, taking into account the support of its ultimate parent, has adequate resources to continue to meet its liabilities as they fall due. Accordingly, the directors have adopted the going concern basis in preparing the annual financial statements.

**EMPLOYEE INVOLVEMENT**

Information on matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees concerning the financial and economic factors affecting the Group's performance. We regularly consult with employees and encourage their views when making decisions which are relevant to them.

**DISABLED EMPLOYEES**

It is the policy of the company, where possible, to give full and fair consideration to disabled persons in their applications for employment within the company.

Divitias Midco Limited (Registered number: 11334361)

Directors' Report

for the Period 27 April 2018 to 31 December 2018


**STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

**AUDITORS**

The auditors, Ernst & Young LLP were appointed during the year and will be proposed for re-appointment at the forthcoming Annual General Meeting.

**ON BEHALF OF THE BOARD:**



.....  
T D Howard - Director

Date: ..... 29th June 2019 .....

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Strategic Report, 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's and the Group's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the parent company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Independent Auditor's Report to the Members of Divitias Midco Limited

### **Opinion**

We have audited the financial statements of Divitias Midco Limited (the 'parent company') and its subsidiaries (the 'Group') for the period ended 31 December 2018 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheet, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement, and the related notes 1 to 27 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ('United Kingdom Generally Accepted Accounting Practice').

In our opinion, the financial statements:

- give a true and fair view of the Group's and of the parent company's affairs as at 31 December 2018 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the Group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the Reports and Financial Statements, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

## Independent Auditor's Report to the Members of Divitias Midco Limited (continued)

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's 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.

### **Auditor's responsibilities for the audit of the financial statements**

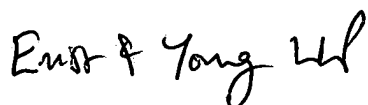
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Members of Divitias Midco Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

Adrian Roberts (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
Birmingham

Date: 29 June 2019

Divitias Midco Limited (Registered number: 11334361)

Consolidated Income Statement  
for the Period 27 April 2018 to 31 December 2018

	Notes	Total 2018 £
Turnover		62,731,828
Cost of sales		(38,927,797)
<b>GROSS PROFIT</b>		<b>23,804,031</b>
Administrative expenses		(12,609,536)
<b>EBITDA*</b>		<b>11,194,495</b>
Depreciation and amortisation		(14,474,909)
Loss on disposal of fixed assets		(130,909)
Exceptional items		(6,496,957)
<b>OPERATING PROFIT/(LOSS)</b>	4	<b>(9,908,280)</b>
Bank interest receivable		25,322
Interest payable and similar charges	6	(12,292,790)
<b>LOSS BEFORE TAXATION</b>		<b>(22,175,748)</b>
Tax on loss	7	(144,554)
<b>PROFIT/(LOSS) FOR THE FINANCIAL PERIOD</b>		<b>(22,320,302)</b>

There was no other comprehensive income for the period 27 April 2018 to 31 December 2018.

\*EBITDA comprises earnings before interest, tax, depreciation, amortisation, exceptional items and profit/(loss) on disposal of fixed assets.

The notes on pages 18 to 38 form part of these financial statements.

Divitias Midco Limited (Registered number: 11334361)

Consolidated Balance Sheet  
31 December 2018

	Notes	£	£
<b>FIXED ASSETS</b>			
Goodwill	9		141,384,644
Other intangible assets	9		39,053,397
Tangible assets	10		<u>6,805,923</u>
			187,243,964
<b>CURRENT ASSETS</b>			
Stocks	12	1,617,787	
Debtors	13	28,287,690	
Cash at bank and in hand		<u>2,913,242</u>	
		32,818,719	
<b>CREDITORS</b>			
Amounts falling due within one year	14	<u>(50,052,431)</u>	
<b>NET CURRENT LIABILITIES</b>			<u>(17,233,712)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			170,010,252
<b>CREDITORS</b>			
Amounts falling due after more than one year	15		(187,489,741)
<b>PROVISIONS FOR LIABILITIES</b>	19		<u>(4,840,812)</u>
<b>NET LIABILITIES</b>			<u>(22,320,301)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	20		1
Retained earnings	21		<u>(22,320,302)</u>
<b>SHAREHOLDERS' DEFICIT</b>			<u>(22,320,301)</u>

The financial statements were approved by the Board of Directors on .....29th June 2019..... and were signed on its behalf by:



.....  
T D Howard - Director

Divitias Midco Limited (Registered number: 11334361)

Company Balance Sheet  
31 December 2018

	Notes	£
<b>CURRENT ASSETS</b>		
Debtors	13	121,454,440
<b>CREDITORS</b>		
Amounts falling due within one year	14	<u>(22,772,893)</u>
<b>NET CURRENT ASSETS</b>		<u>98,681,547</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		98,681,547
<b>CREDITORS</b>		
Amounts falling due after more than one year	15	<u>(98,935,263)</u>
<b>NET LIABILITIES</b>		<u><u>(253,716)</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	20	1
Retained earnings	21	<u>(253,717)</u>
<b>SHAREHOLDERS' DEFICIT</b>		<u><u>(253,716)</u></u>
Company's loss for the financial period 27 April 2018 to 31 December 2018		<u><u>(253,717)</u></u>

The financial statements were approved by the Board of Directors on 29th June 2019 and were signed on its behalf by:



.....  
T D Howard - Director

Divitias Midco Limited (Registered number: 11334361)

Consolidated Statement of Changes in Equity  
for the Period 27 April 2018 to 31 December 2018

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Changes in equity</b>			
<b>Balance at 27 April 2018</b>	-	-	-
Issue of share capital	1	-	1
Total comprehensive income	-	(22,320,302)	(22,320,302)
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>(22,302,302)</u>	<u>(22,320,301)</u>

Company Statement of Changes in Equity  
for the Period 27 April 2018 to 31 December 2018

	<b>Called up share capital £</b>	<b>Retained earnings £</b>	<b>Total equity £</b>
<b>Changes in equity</b>			
<b>Balance at 27 April 2018</b>	-	-	-
Issue of share capital	1	-	1
Total comprehensive income	-	(253,717)	(253,717)
<b>Balance at 31 December 2018</b>	<u>1</u>	<u>(253,717)</u>	<u>(253,716)</u>

Divitias Midco Limited (Registered number: 11334361)

Consolidated Cash Flow Statement  
for the Period 27 April 2018 to 31 December 2018

	Notes	£
<b>Cash flows from operating activities</b>		
Cash generated from operations	26	(6,745,512)
Taxation paid	7	<u>(319,832)</u>
Net cash from operating activities		<u>(7,065,344)</u>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	9	(58,355)
Purchase of tangible fixed assets	10	(1,349,385)
Net cash acquired with subsidiary undertaking	11	2,984,103
Purchase of subsidiary undertaking	11	(119,313,574)
Interest received		25,322
Net cash used in investing activities		<u>(117,711,889)</u>
<b>Cash flows from financing activities</b>		
New loans in period	16	88,300,000
Loan repayments in period	11	(50,000,000)
Ultimate parent loan notes		72,045,534
Loan from ultimate parent		20,511,113
Management loan notes		674,196
Cash cost of hedging		(247,000)
Interest paid		<u>(3,593,368)</u>
Net cash from financing activities		<u>127,690,475</u>
<b>Cash and cash equivalents at end of period</b>		<u><u>2,913,242</u></u>
<b>Increase in cash and cash equivalents</b>		<u>2,913,242</u>

Notes to the Consolidated Financial Statements  
for the Period 27 April 2018 to 31 December 2018

1. **STATUTORY INFORMATION**

Divitias Midco Limited is a private company, limited by shares, registered in England and Wales. The parent company's registered number and registered office address can be found on the General Information page.

2. **ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

**Financial Reporting Standard 102 - reduced disclosure exemptions**

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole as per Section 11 Financial Instruments paragraphs 11.39 to 11.48A; and
- the requirement of Section 33 Related Party Disclosures paragraph 33.7.

**Basis of consolidation**

The consolidated financial statements present the results of the parent company and its own subsidiaries (the 'Group') as if they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Income Statement from the date on which control is obtained. They are deconsolidated from the date control ceases.

The subsidiaries were acquired on 4 May 2018 and thus the Group's results were consolidated from this date onwards until the period-end.

**Going concern**

During the period, the Group incurred a loss before tax of £22,175,748 and has net liabilities of £22,320,301 at 31 December 2018. The Group made EBITDA before exceptional items of £11,194,495 and is cash generative. The directors have prepared profit and loss projections up to December 2022 supporting future profitability. The Group's net liabilities include a £21,894,333 loan from its parent which is repayable on demand, and therefore the Group is dependent on the support of its parent and ultimate parent.

During the period, the company incurred a loss before tax of £253,717 and has net liabilities of £253,716 at 31 December 2018. The company is a holding company and the subsidiaries of the company are cash generative and have net asset positions. The performance of the Group supports the company.

On this basis, the directors consider that the company, taking into account the support of its ultimate parent, has adequate resources to continue to meet its liabilities as they fall due. Accordingly, the directors have adopted the going concern basis in preparing the annual financial statements.

2. **ACCOUNTING POLICIES - continued**

**Significant judgements and estimates**

In preparing these financial statements, the directors have had to make judgements, estimates and assumptions that effect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historic experience and various other factors that are believed to be reasonable under the circumstances the results of which form the basis of making the judgements about carrying values of assets and liabilities. Actual results may differ from these estimates.

The more significant judgements, estimates and assumptions are:

**Intangible assets and goodwill carrying values**

Intangible assets and goodwill are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired the carrying value of the asset is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

**Fair value of acquired assets**

The Group can acquire identifiable assets both individually and as part of business combinations. Management estimate the fair value of identifiable assets by considering the present value of the expected future economic benefits to be generated by the asset.

**Valuation of investments in subsidiary undertakings**

The carrying value is regularly reviewed by reference to the net assets or liabilities of the subsidiary undertakings and current and expected future trading prospects. If there is evidence of impairment the carrying amount of the investment is reduced to its recoverable amount. The impairment loss is recognised immediately in the consolidated income statement.

**Stock**

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised in the consolidated income statement.

**Trade debtors**

At each reporting date, trade debtors are assessed for recoverability. If there is any evidence of impairment, the carrying amount is reduced to its recoverable amount. The impairment loss is recognised immediately in the consolidated income statement.

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

2. **ACCOUNTING POLICIES - continued**

**Turnover**

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, stated net of value added tax. The Group operates in five principal areas of activity, that of the provision of United Communications as a Service, Cloud Services, provision of Network Services and related Infrastructure, Managed IT Services and Security and Business Continuity solutions. The Group operates within two geographical markets, the United Kingdom and Europe.

Turnover is analysed as follows:

**Area of activity**

	UCaaS	Cloud	Networks & Infrastructure	Managed IT	Security & Business Continuity	Totals
Continuing operations	£'000	£'000	£'000	£'000	£'000	£'000
Total Revenues	<u>26,373</u>	<u>14,129</u>	<u>14,290</u>	<u>6,607</u>	<u>1,333</u>	<u>62,732</u>
<b>TOTAL</b>	<b><u>26,373</u></b>	<b><u>14,129</u></b>	<b><u>14,290</u></b>	<b><u>6,607</u></b>	<b><u>1,333</u></b>	<b><u>62,732</u></b>

**Geographical area**

	UCaaS	Cloud	Networks & Infrastructure	Managed IT	Security & Business Continuity	Totals
Continuing operations	£'000	£'000	£'000	£'000	£'000	£'000
UK	26,154	14,129	14,290	6,607	1,333	62,513
Europe	<u>219</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>219</u>
<b>TOTAL</b>	<b><u>26,373</u></b>	<b><u>14,129</u></b>	<b><u>14,290</u></b>	<b><u>6,607</u></b>	<b><u>1,333</u></b>	<b><u>62,732</u></b>

**Intangible assets**

Purchased intangible assets are initially measured at cost. After initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Patents and licences are being amortised evenly over the contract length which can vary from 2 to 20 years.

Development costs are being amortised evenly over their estimated useful life of 2 - 5 years.

Customer lists are being amortised evenly over their estimated useful life of 10 years.

2. **ACCOUNTING POLICIES – continued**

**Goodwill and business combinations**

Goodwill arising on an acquisition of a subsidiary undertaking is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life which is 10 years.

If a subsidiary, associate or business is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

**Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the income statement during the period in which they are incurred.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Freehold property	-	2% straight line
Computer equipment	-	33% straight line
Motor vehicles	-	25% straight line
Office equipment	-	33% straight line
Plant and infrastructure	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

**Impairment of fixed assets, goodwill and other intangible assets**

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is an indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is an indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

## 2. ACCOUNTING POLICIES – continued

### **Investments in subsidiaries**

Investments in subsidiary undertakings are recognised at cost. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGU's). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is an indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the income statement.

### **Current and deferred taxation**

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Group operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2. **ACCOUNTING POLICIES - continued**

**Research and development**

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured, The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**Foreign currencies**

**Functional and presentational currency**

The Group's functional and presentational currency is GBP. The values included throughout this document are not rounded.

**Transactions and balances**

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement, within 'finance income or costs'. All other foreign exchange gains and losses are presented in the consolidated income statement, within 'other operating income'.

**Operating leases: the Group as lessee**

Rentals paid under the operating leases are charged to the consolidated income statement on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2. **ACCOUNTING POLICIES - continued**

**Pensions**

**Defined contribution pension plan**

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the consolidated income statement when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

**Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using effective interest method, less any impairment.

**Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the consolidated income statement in the year that the Group becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**Exceptional items**

Items are classified as exceptional where they are material and do not represent normal costs of the business and will not be incurred again in the normal course of business. Such items are recognised as an exceptional expense in the consolidated income statement in the period they are incurred.

**2. ACCOUNTING POLICIES - continued**

**Financial instruments**

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and the best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset, and the net amount reported in the income statement when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**Creditors**

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

**Finance costs**

Finance costs are charged to the consolidated income statement over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

3. **EMPLOYEES AND DIRECTORS**

a) Staff costs, including directors' remuneration, were as follows:

	<b>Group 2018 £</b>
Wages and salaries	11,286,388
Social security costs	2,231,294
Other pension costs	904,116
	<u>14,421,798</u>

b) Directors remuneration

	<b>£</b>
Aggregate remuneration in respect of qualifying services	346,129
Directors' pension contributions to money purchase schemes	<u>19,286</u>

Information regarding the highest paid director is as follows:

	<b>£</b>
Emoluments	186,160
Pension contributions to money purchase schemes	<u>11,248</u>

The Group average monthly number of employees, including the directors, during the period was as follows:

	<b>2018 No.</b>
Product staff	181
Operational staff	155
Selling staff	80
Administrative staff	71
	<u>487</u>

The company has no employees other than the directors, who did not receive any remuneration through the company.

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

**4. OPERATING PROFIT/(LOSS)**

The operating profit/(loss) is stated after charging:

	£
Hire of plant and machinery	4,390
Other operating leases	482,044
Depreciation - owned assets (note 10)	1,466,782
Loss on disposal of fixed assets	130,909
Goodwill amortisation (note 9)	9,995,218
Patents and licences amortisation (note 9)	212,974
Development costs amortisation (note 9)	78,946
Customer lists amortisation (note 9)	2,720,989
Auditors' remuneration	140,000
Foreign exchange differences	<u>4,180</u>

**5. EXCEPTIONAL ITEMS**

	£
Transaction fees	(4,790,465)
Restructuring costs	<u>(1,706,492)</u>
	<u>(6,496,957)</u>

Exceptional transaction fees have been incurred during the period relating to the acquisition of the GCI Group. These are professional fees on acquisition and include the costs of due diligence, refinancing and other professional advice.

Exceptional restructuring costs have been incurred during the period following acquisitions made during 2017. There are post-acquisition reorganisation costs.

The directors have assessed that these costs are material and do not represent normal costs of the business and will not be incurred again in the normal course of business. Accordingly, these costs have been classified as exceptional.

**6. INTEREST PAYABLE AND SIMILAR EXPENSES**

	£
Bank loan interest	3,586,376
Loan note interest (note 16)	7,697,102
Amortised finance costs	546,479
Early repayment finance costs	<u>462,833</u>
	<u>12,292,790</u>

The details of the loans payable are included within note 16 of this document.

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

7. **TAXATION**

**Analysis of the tax charge**

The tax charge on the loss for the period was as follows:

	£
Current tax:	
UK corporation tax	716,657
Deferred tax	<u>(568,103)</u>
Tax on loss	<u>144,554</u>

**Reconciliation of total tax charge included in profit and loss**

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	£
Loss before tax	<u>(22,175,748)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19%	(4,213,392)
Effects of:	
Expenses not deductible for tax purposes	4,753,384
R&D Expenditure Credits	40,060
Adjustments to tax charge in respect of previous periods	(175,708)
Changes to tax rates	(34,993)
Fixed asset differences	123,763
Deferred tax not recognised	<u>(388,882)</u>
Total tax charge	<u>144,554</u>

8. **INDIVIDUAL INCOME STATEMENT**

As permitted by Section 408 of the Companies Act 2006, the Income Statement of the parent company is not presented as part of these financial statements. The parent company's loss before tax currently for the financial period was £253,717.

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

9. INTANGIBLE FIXED ASSETS

Group	Goodwill £	Patents and licences £	Development costs £	Customer lists £	Totals £
<b>COST</b>					
Additions	-	-	58,355	-	58,355
Acquisition of subsidiary	151,379,863	689,623	108,328	41,210,000	193,387,814
At 31 December 2018	151,379,863	689,623	166,683	41,210,000	193,446,169
<b>AMORTISATION</b>					
Amortisation for period	9,995,218	212,974	78,946	2,720,989	13,008,127
At 31 December 2018	9,995,218	212,974	78,946	2,720,989	13,008,127
<b>NET BOOK VALUE</b>					
At 31 December 2018	141,384,644	476,649	87,737	38,489,011	180,438,041

10. TANGIBLE FIXED ASSETS

Group	Freehold property £	Plant and machinery £	Fixtures and fittings £
<b>COST</b>			
Additions	-	7,380	137,433
Disposals	(8,520)	-	-
Acquisition of subsidiary	2,583,142	82,641	1,671,102
At 31 December 2018	2,574,622	90,021	1,808,535
<b>DEPRECIATION</b>			
Charge for period	36,102	59,556	522,626
Eliminated on disposal	(5,254)	-	-
At 31 December 2018	30,848	59,556	522,626
<b>NET BOOK VALUE</b>			
At 31 December 2018	2,543,774	30,465	1,285,909

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

10. TANGIBLE FIXED ASSETS - continued

Group

	Motor vehicles £	Computer equipment £	Totals £
<b>COST</b>			
Additions	-	1,204,572	1,349,385
Disposals	(127,643)	-	(136,163)
Acquisition of subsidiary	176,700	2,540,643	7,054,229
	<u>49,057</u>	<u>3,745,215</u>	<u>8,267,451</u>
At 31 December 2018			
<b>DEPRECIATION</b>			
Charge for period	35,064	813,434	1,466,782
Eliminated on disposal	-	-	(5,254)
	<u>35,064</u>	<u>813,434</u>	<u>1,461,528</u>
At 31 December 2018			
<b>NET BOOK VALUE</b>			
At 31 December 2018	<u>13,993</u>	<u>2,931,781</u>	<u>6,805,923</u>

**11. FIXED ASSET INVESTMENTS**

The undertakings in which the company has an interest at the period end are as follows:

Name of company	Principal Activity	Proportion of shares
Divitias Bidco Limited	Holding Company	100%
GCI Managed Services Group Limited	Holding Company	100%
Blue Chip Data Systems Limited	Provision of ICT Services	100%
GCI Network Solutions Limited	Provision of ICT Services	100%
Freedom Communications (U.K.) Limited	Provision of ICT Services	100%
Freedom Communications Limited	Dormant Company	100%
Edge Contact Solutions Limited	Dormant Company	100%
Erskine Logie Cloud Limited	Cloud IT Services	100%
Edge Telecommunications Limited	Dormant Company	100%
Global Communication Integrators Limited	Dormant Company	100%
Sweet Telecom Limited	Dormant Company	100%
Netservices UK Limited	Dormant Company	100%
IP Infrastructures Limited	Dormant Company	100%
Edge Technical Resources Limited	Dormant Company	100%
IA3 Limited	Cloud IT Services	100%
Fusion Managed Services Limited	Holding Company	100%
Fusion Media Networks Limited	Broadband Service Provider	100%
Packet Media Holdings Limited	Holding Company	100%
Packet Media Limited	Telecommunication Services	100%
Evolution Telco Limited	Mobile Phone Contracts	100%
Invomo Limited	Dormant Company	100%
Digital IP Holdings Limited	Holding Company	100%
Digital IP Limited	Dormant Company	100%
Edge Telecom Limited	Dormant Company	100%

**Acquisition of subsidiary**

On 4 May 2018, the Group acquired GCI Managed Services Group Limited for a cash consideration of £119,313,574 and the issue of loan notes of £19,658,983.

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

11. FIXED ASSET INVESTMENTS - continued

	Book value £	Revaluation adjustment £	Fair value to Group £
Customer list	2,493,838	38,716,162	(a) 41,210,000
Other intangible assets	797,952	-	797,952
Tangible assets	6,286,241	767,988	(b) 7,054,229
Stocks	2,360,043	(852,584)	(c) 1,507,459
Debtors	23,511,002	(276,525)	(d) 23,234,477
Cash	2,984,103	-	2,984,103
Creditors	(33,781,991)	-	(33,781,991)
Long term borrowings	(50,000,000)	-	(50,000,000)
Deferred tax on acquisition	(5,413,535)	-	(5,413,535)
Net assets	<u>(50,762,347)</u>	<u>38,355,041</u>	<u>(12,407,306)</u>
Goodwill arising on acquisition			<u>151,379,863</u>
Consideration paid in cash			119,313,574
Consideration paid by issue of loan notes			19,658,983
Total consideration			<u>138,972,557</u>

Adjustments:

- (a) The valuation of customer lists reassessed as at acquisition date to have a fair value of £41,210,000.
- (b) The valuation of tangible fixed assets reassessed as at acquisition date to have a fair value of £7,054,229.
- (c) The value of stocks reassessed as at acquisition date to have a fair value of £1,507,459.
- (d) The value of debtors reassessed as at acquisition date to have a fair value of £23,234,477

12. STOCKS

	Group £
Finished goods	1,036,330
Work-in-progress	<u>581,457</u>
	<u>1,617,787</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

The cost of stocks expensed in the period within cost of sales was £10,717,872.

No impairment losses in relation to slow moving and obsolete stocks have been charged to cost of sales during the period.

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Company £
Trade debtors	16,995,896	-
Amounts owed by group undertakings	-	99,516,046
Other debtors	427,882	-
Derivative financial instruments	206,228	-
Corporation tax	549,378	-
Prepayments and accrued income	<u>10,108,306</u>	<u>964,703</u>
	<u>28,287,690</u>	<u>100,480,749</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>-</u>	<u>20,973,691</u>
Aggregate amounts	<u>28,287,690</u>	<u>121,454,440</u>

The current loans receivable from subsidiary undertakings, repayable on demand, are unsecured and interest is charged at 10% p.a. which is accrued daily. Although the balances have no fixed repayment terms it is not expected that repayments will be required within the next 12 months.  
The long-term loan receivable from subsidiary undertakings is unsecured, interest is charged at 10% p.a. and repayment is due on 30 June 2026.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group £	Company £
Trade creditors	8,096,859	-
Corporation tax	1,333,344	-
Social security and other taxes	2,239,935	1,200
Other creditors	1,467,498	-
Loans payable to parent undertaking	21,894,333	21,894,333
Accruals and deferred income	<u>15,020,462</u>	<u>877,360</u>
	<u>50,052,431</u>	<u>22,772,893</u>

The loans payable to parent undertakings, repayable on demand, are unsecured and interest is charged at 10% p.a. which is accrued daily. Although the balances have no fixed repayment terms it is not expected that repayments will be required within the next 12 months.

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group £	Company £
Bank loans (see note 16 and note 18)	88,554,478	-
Loan payable to group undertakings	-	-
Loan notes due to parent undertaking	77,243,531	77,243,531
Loan notes due to management	<u>21,691,732</u>	<u>21,691,732</u>
	<u>187,489,741</u>	<u>98,935,263</u>

Included within other creditors due after one year is £77,243,531 in respect of loan notes payable to Mayfair Equity Partners who own the majority of the share capital of the Group.

16. LOANS

An analysis of the maturity of loans is given below:

	Book Value £	Nominal Value £
Amounts repayable within five years		
Repayable other than by instalments	21,894,333	20,511,113
Not wholly repayable within 5 years	187,489,741	186,382,756

	Book Value £	Nominal Value £
Details of loans not wholly repayable within five years		
Repayable otherwise than by instalments		
5.25% plus LIBOR unsecured bank loan notes of £90,000,000 due 4 May 2025	87,554,478	90,000,000
5.25% plus LIBOR revolving facility of £1,000,000 due 4 November 2024	1,000,000	1,000,000
10% parent undertaking loan notes of £75,049,577	77,243,531	75,049,577
10% management B loan notes of £674,196 due 30 June 2026	719,241	674,196
10% management loan notes of £19,658,983 due 30 June 2026	20,972,491	19,658,983
	<u>187,489,741</u>	<u>186,382,756</u>

The company entered into an agreement in the period to share a group term loan facility of £90,000,000, a term capex facility of £60,000,000 and a revolving facility of £2,500,000, along with other group companies. As part of this agreement the U.S. Bank Trustees Limited hold a cross-group guarantee across all group companies and a debenture over the company including a fixed charge over all present leasehold property: first fixed charge over book and debts, chattels, goodwill and uncalled capital, both present and future: and first floating charge over all assets and undertaking both present and future dated 4 May 2018.

17. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

<b>Group</b>	<b>Non-cancellable operating leases</b>
	<b>£</b>
Within one year	235,040
Between one and five years	<u>687,187</u>
	<u>922,227</u>

During the period the Group have incurred operating lease costs of £482,044, which have been expensed to the income statement.

18. **FINANCIAL INSTRUMENTS**

Financial instruments are as follows:

	<b>Group</b>	<b>Company</b>
	<b>2018</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<b>Financial assets</b>		
<i>Financial assets that are measured at amortised cost less impairment</i>		
Trade Debtors	16,995,896	-
Amounts owed by group undertakings	-	120,489,737
Other debtors	427,882	-
<i>Financial assets at fair value through profit or loss</i>		
Derivative financial instruments	<u>206,228</u>	<u>-</u>
 <b>Financial liabilities</b>		
<i>Financial liabilities that are measured at amortised cost</i>		
Trade Creditors	8,096,859	-
Amounts owed to group undertaking	21,894,333	21,894,333
Other creditors	1,467,498	-
Bank loans	88,554,478	-
Parent undertaking loan notes	21,691,732	21,691,732
Parent loan notes	<u>77,243,531</u>	<u>77,243,531</u>

Financial assets measured at cost less impairment comprise cash, trade debtors, director's loan accounts and other debtors.

Financial liabilities measured at amortised cost comprise loans and overdrafts, trade creditors, deferred consideration and other creditors.

19. **PROVISIONS FOR LIABILITIES**

**Group**

Prior year adjustment	40,322
Origination and reversal of timing differences	(608,425)
	<hr/>
Charge/ (Credit) to profit or loss for the period	<u>(568,103)</u>

**The deferred tax liability is made up as follows:**

	£
Fixed Asset Timing differences	(879,214)
Short term timing differences	(18,743)
Losses and other deductions	(749,943)
Arising on business combination intangibles	<u>6,488,712</u>
Balance at 31 December 2018	<u>4,840,812</u>

Notes to the Consolidated Financial Statements - continued  
for the Period 27 April 2018 to 31 December 2018

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	£
Number:	Class:		
1	Ordinary	£1	<u>1</u>

One Ordinary share of £1 was allotted and fully paid for cash at par during the period.

Called up share capital represents the nominal value of the shares issued.

Each share is entitled to one vote in any circumstances. Each share is entitled pari passu to dividend payments or any other distribution. Each share is entitled pari passu to participate in a distribution arising from a winding up of the company. The shares are not redeemable.

21. RESERVES

Group	Retained earnings £
Deficit for the period	<u>(22,320,302)</u>
At 31 December 2018	<u>(22,320,302)</u>

Company	Retained earnings £
Deficit for the period	<u>(253,717)</u>
At 31 December 2018	<u>(253,717)</u>

22. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £904,116. Contributions totalling £58,033 were payable to the fund at the reporting date and are included in creditors.

**23. RELATED PARTY DISCLOSURES**

The company has taken advantage of the exemption conferred by FRS 102 section 33.1 'Related party disclosure' not to disclose transactions with its wholly owned subsidiaries.

During the period the Group paid £18,306 to a business operated by a close individual of M D Allen, a director, for payroll services. No amounts were outstanding at the period end.

At the period end date there was a balance owing to the Group of £168,025 from M D Allen. This was the maximum balance outstanding during the period. No interest has been charged. The balance has been repaid to the Group after the period end date.

During the period the Group paid £49,302 to Mayfair Equity Partners LLP, who own the majority of the share capital of the Group, in respect of monitoring fees. Loan notes of £75,049,577 issued by Mayfair Equity Partners LLP to the Group and £77,243,531 was outstanding at the period end. Interest accrued of £4,955,328 is included in the period end balance. No interest was paid on these notes during the period.

Management Loan notes of £19,658,693 were issued during the period and £1,313,508 of interest was accrued therefore £20,972,491 was outstanding at the period end. No interest was paid on these notes during the period.

**24. ULTIMATE CONTROLLING PARTY**

The company's immediate controlling party is Divitias Holdco Limited. The registered office of the parent company is Cambridge House, Le Truchot St, Peter Port, Guernsey, GY1 4BF.

The largest and smallest group in which the company's results are consolidated is that for the Group headed by Divitias Midco Limited.

The ultimate controlling party is Mayfair Equity Partners LLP through its fund Mayfair Nominees.

**25. POST BALANCE SHEET EVENTS**

On 2<sup>nd</sup> June 2019, the Group acquired 100% of the issued share capital of the following entities, for \$15,000,000.

Modality Systems Limited, a company incorporated in England and Wales with company number 06143649;

ACT Teleconferencing Malaysia Sdn. Bhd, a private limited company incorporated in Malaysia with company number 833491-M;

Modality Systems, Inc., a Delaware corporation; and

Modality Systems Pty Ltd, an Australian proprietary company limited by shares (company number CAN 168 971 766),

Notes to the Consolidated Financial Statements - continued  
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**26. RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	£
Loss before taxation	(22,175,748)
Depreciation charges (note 10)	1,466,782
Amortisation of intangible assets (note 9)	13,008,127
Loss on disposal of fixed assets (note 10)	130,909
Interest payable and similar charges	12,292,790
Bank interest payable	<u>(25,322)</u>
	4,697,539
Increase in stocks	(110,328)
Increase in debtors	(4,806,211)
Increase in creditors	<u>(6,526,511)</u>
<b>Cash generated from operations</b>	<u><u>(6,745,512)</u></u>

Included within cash generated from operations are exceptional costs of £6,496,947.

**27. CASH AND CASH EQUIVALENTS**

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

**Period ended 31 December 2018**

	31.12.18 £
Cash at bank and in hand	<u><u>2,913,242</u></u>