

Registered number 07479219

Etihad Topco Limited  
Annual report and financial statements  
for the year ended 30 April 2017



# **Etihad Topco Limited**

## **Annual report and financial statements for the year ended 30 April 2017**

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# **Etihad Topco Limited**

## **Directors and advisers**

### **Directors**

Vitruvian Directors I Limited  
Vitruvian Directors II Limited  
Chris Earle  
Paul Doherty  
Piotr Nowosad  
Eric Geoffrey Unwin  
Zillah Byng-Thorne  
Paul Dollman

### **Secretary**

Gillian Hill

### **Registered office**

Universal House  
Longley Lane  
Manchester  
M22 4SY

### **Bankers**

Lloyds  
53 King Street  
Manchester  
M2 4LQ

### **Independent auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
101 Barbirolli Square  
Lower Mosley Street  
Manchester  
M2 3PW

# Etihad Topco Limited

## Strategic report

The directors present their Strategic report for the year ended 30 April 2017. In preparing this Strategic report, the directors have complied with s414C of the Companies Act 2006. This Strategic report has been prepared for the group as a whole and therefore gives greater emphasis to those matters which are significant to Etihad Topco group and its subsidiary undertakings when viewed as a whole.

### Principal activities

The principal activity of the company is that of a holding company; the principal activity of the group is the provision of essential services including communication, utilities and financial services to the SME market in the United Kingdom.

### Review of the business and Key Performance Indicators (KPI's)

The main financial KPI's used by the directors in assessing performance are revenue, operating profit and Earnings before Interest, Tax, Depreciation and Amortisation 'EBITDA', and 'Adjusted EBITDA', which is calculated by adding back certain exceptional non-recurring and acquisition-related costs, as set out below:

|                                                                    | Group<br>Year ended<br>30 April 2017<br>£'000 | Group<br>Year ended<br>30 April 2016<br>£'000 | Growth<br>£'000 | Growth<br>% |
|--------------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|-----------------|-------------|
| Revenue                                                            | 123,420                                       | 104,107                                       | 19,313          | 18.6%       |
| Operating profit                                                   | 19,018                                        | 28,547                                        | (9,529)         | (33.4%)     |
| Amortisation of intangible assets                                  | 8,696                                         | 4,273                                         |                 |             |
| Depreciation of property, plant and equipment                      | 452                                           | 315                                           |                 |             |
| EBITDA                                                             | 28,166                                        | 33,135                                        | (4,969)         | (15.0%)     |
| EBITDA %                                                           | 22.8%                                         | 31.8%                                         |                 |             |
| Exceptional acquisition and potential-acquisition related expenses | 4,205                                         | -                                             |                 |             |
| Exceptional acquisition-related salary costs                       | 2,163                                         | -                                             |                 |             |
| Adjusted EBITDA                                                    | 34,534                                        | 33,135                                        | 1,399           | 4.2%        |
| Adjusted EBITDA %                                                  | 28.0%                                         | 31.8%                                         |                 |             |

Group revenue for the year is £123,420,000, an increase of £19,313,000 (18.6%) on the prior year, primarily due to continued growth across utilities, the impact of current year acquisitions, and the full year benefit of acquisitions completed in the previous year.

In July 2016, the group acquired TBO Holdings Limited and TDO Holdings Limited, both registered in England and Wales, which are engaged in the supply of insurance services to the SME market in the UK, which has facilitated the continued expansion of the services that the group is able to offer to its customers. Further information on the impact of TBO Holdings Limited and TDO Holdings Limited on the group performance is provided in note 15 to the group financial statements.

The group has reported an operating profit of £19,018,000 for the year, a decrease of £9,529,000 (33.4%) on the prior year. EBITDA has decreased by £4,969,000 (15.0%) from £33,135,000 to £28,166,000. During the current year, the group has incurred non-recurring administrative expenses of £6,368,000, primarily in relation to a potential acquisition which was not completed. After adjusting for these costs, Adjusted EBITDA is £34,534,000, representing an increase of £1,399,000 (4.2%) on prior year.

Cash generated by operations, before interest and tax payments, was £27,608,000, representing 98% of EBITDA (2016: £29,123,000, 87.9% of EBITDA).

After net finance costs of £15,471,000 (2016: £14,224,000) and a taxation charge of £2,355,000 (2016: £3,342,000), the profit for the year attributable to equity holders of the parent company of £1,192,000 (2016: £10,981,000) has been transferred to reserves.

# **Etihad Topco Limited**

## **Strategic report (continued)**

### **Review of the business and Key Performance Indicators (KPI's) (continued)**

The group's net liabilities increased from £32,551,000 at 30 April 2016 to £52,995,000 at 30 April 2017, due to the draw-down of additional borrowings to fund the payment of a dividend during the year.

### **Other key performance indicators**

The main non-financial KPI monitored by the directors is the total number of individual services supplied to customers; the total number of services has increased by 12.9% from 240,000 at April 2016 to 271,000 at April 2017.

### **Principal risks and uncertainties**

The directors have fully considered all known risks and uncertainties which may affect the group and company in the future. The primary business risks are as follows:

1. Changes in the regulatory environment; and
2. Reduction in the use of fixed line telephone services as a result of changes in technology.

The directors believe that these factors are unlikely to have a material adverse effect on the group and company for the foreseeable future.

### **Financial risk management objectives and policies**

The group's activities expose it to a number of financial risks including credit risk, cash flow risk and liquidity risk.

#### **Credit risk**

The group's principal financial assets are cash and trade receivables; credit risk for the group is primarily attributable to trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful amounts. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The group has no significant concentration of credit risk with regards to trade receivables, as exposure is spread over a large number of customers. The credit risk on cash balances is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

#### **Cash flow risk**

The group is exposed to cash flow risk on senior debt where interest charges are linked to LIBOR. The group enters into interest rate swaps, the effect of which is to classify £118.3 million (2016: £118.3 million) of the group's borrowings as fixed rate, which reduces the exposure to cash flow risk.

#### **Liquidity risk**

In order to maintain liquidity, and to ensure that sufficient funds are available for ongoing operation and future developments, the group uses a mixture of long term and short term debt finance.

#### **Future developments**

The group and company research customer requirements to ensure the ongoing development of future products, and use the latest technology available to assist with the smooth running of their activities. The directors anticipate current levels of trading performance to continue for the foreseeable future.

Approved by the Board of Directors and signed on its behalf by



Gillian Hill  
Company Secretary  
26 July 2017  
Universal House  
Longley Lane  
Manchester  
M22 4SY

# **Etihad Topco Limited**

## **Directors' report**

The directors present their report and the audited consolidated and company financial statements for the year ended 30 April 2017.

### **Principal activities**

The principal activity of the company is that of a holding company; the principal activity of the group is the provision of essential services including communication, utilities and financial services to the SME market in the United Kingdom.

### **Results and dividends**

The profit for the year amounted to £1,192,000 (2016: £10,981,000). Interim dividends of £21,525,000 (£21.67 per share) were proposed and paid in March 2017 (2016: interim dividends of £43,106,000 (£43.40 per share) were proposed and paid in October 2015, and further interim dividends of £26,473,000 (£26.60 per share) were proposed and paid in January 2016).

### **Events after the balance sheet date**

On 10 July 2017, the group acquired the entire issued share capital of Aimera Limited, registered in England and Wales. Initial consideration was £2,628,000, with a further payment of £1,752,000 anticipated to be made by the end of 2017. There have been no other significant events since the year end.

### **Matters covered in the Strategic report**

The Strategic report prepared by the directors contains information relating to the review of the business and key performance indicators used by the directors, in addition to the principal risks and uncertainties, future developments of the group and its financial risk management objectives and policies.

### **Going concern**

The directors have a reasonable expectation that the group and company have adequate resources to continue in operational existence for a period of at least 12 months from the date of approving these financial statements, thus they adopt the going concern basis in preparing the financial statements. Further details regarding the adoption of the going concern basis can be found in note 2 to the consolidated financial statements.

### **Directors**

The directors of the company who were in office during the year and to the date of approving of the financial statements, unless otherwise stated, were as follows:

Vitruvian Directors I Limited  
Vitruvian Directors II Limited  
Chris Earle  
Richard Houghton (resigned 31 July 2016)  
Paul Doherty  
Piotr Nowosad  
Eric Geoffrey Unwin  
Zillah Byng-Thorne  
Paul Dollman

### **Directors' indemnities**

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its directors.

### **Disabled employees**

The group and company give full consideration to applications for employment from disabled persons where the requirements for the job can be adequately fulfilled by a disabled person.

Where existing employees become disabled it is the group and company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

# **Etihad Topco Limited**

## **Directors' report (continued)**

### **Employee involvement**

The group and company have established a practice of keeping employees informed of matters affecting them as employees and the financial and economic matters affecting the performance of the group and company.

### **Statement of directors' responsibilities in respect of the financial statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 group and company and of the profit or loss of the group and 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 IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the company financial statements, 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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

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

- so far as the director is aware, there is no relevant audit information of which the group and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group and company's auditors are aware of that information.

### **Independent Auditors**

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board and signed on its behalf by



Gillian Hill  
Company Secretary  
26 July 2017  
Universal House  
Longley Lane  
Manchester  
M22 4SY

# **Etihad Topco Limited**

## **Independent auditors' report to the members of Etihad Topco Limited**

### **Report on the group financial statements**

#### **Our opinion**

In our opinion, Etihad Topco Limited's group financial statements (the 'financial statements'):

- give a true and fair view of the state of the group's affairs as at 30 April 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **What we have audited**

The financial statements, included within the Annual report and financial statements (the 'Annual report'), comprise:

- the Consolidated balance sheet as at 30 April 2017;
- the Consolidated statement of total comprehensive income for the year then ended;
- the Consolidated cash flow statement for the year then ended;
- the Consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### ***Adequacy of information and explanations received***

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

##### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# **Etihad Topco Limited**

## **Independent auditors' report to the members of Etihad Topco Limited (continued)**

### **Responsibilities for the financial statements and the audit**

#### ***Our responsibilities and those of the directors***

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### ***What an audit of financial statements involves***

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

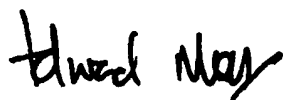
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

#### **Other matter**

We have reported separately on the company financial statements of Etihad Topco Limited for the year ended 30 April 2017.



Edward Moss (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
26 July 2017

# Etihad Topco Limited

## Consolidated statement of total comprehensive income For the year ended 30 April 2017

|                                                                                        | Note | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|----------------------------------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| Revenue                                                                                | 4    | 123,420                              | 104,107                              |
| Cost of sales                                                                          |      | (65,556)                             | (51,955)                             |
| <b>Gross profit</b>                                                                    |      | <b>57,864</b>                        | <b>52,152</b>                        |
| Administrative expenses                                                                |      | (38,846)                             | (23,605)                             |
| <b>Operating profit before exceptional items</b>                                       |      | <b>25,386</b>                        | <b>28,547</b>                        |
| Exceptional items within administrative expenses                                       | 5    | (6,368)                              | -                                    |
| <b>Operating profit</b>                                                                |      | <b>19,018</b>                        | <b>28,547</b>                        |
| Finance income                                                                         | 8    | 20                                   | 28                                   |
| Finance costs                                                                          | 9    | (15,491)                             | (14,252)                             |
| <b>Net finance costs</b>                                                               |      | <b>(15,471)</b>                      | <b>(14,224)</b>                      |
| <b>Profit before tax</b>                                                               |      | <b>3,547</b>                         | <b>14,323</b>                        |
| Tax                                                                                    | 10   | (2,355)                              | (3,342)                              |
| <b>Profit for the year attributable to equity holders of the parent company</b>        | 5    | <b>1,192</b>                         | <b>10,981</b>                        |
| Other comprehensive result (net of tax)                                                |      | -                                    | -                                    |
| <b>Total comprehensive income attributable to equity holders of the parent company</b> |      | <b>1,192</b>                         | <b>10,981</b>                        |

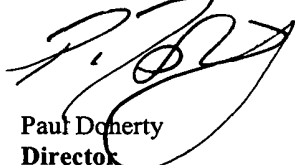
All amounts included above relate to continuing operations.

# Etihad Topco Limited

## Consolidated balance sheet As at 30 April 2017

|                                                            | Note | 2017<br>£'000   | 2016<br>£'000   |
|------------------------------------------------------------|------|-----------------|-----------------|
| <b>Non-current assets</b>                                  |      |                 |                 |
| Goodwill                                                   | 11   | 126,483         | 120,832         |
| Other intangible assets                                    | 12   | 8,924           | 9,982           |
| Property, plant and equipment                              | 13   | 1,750           | 1,738           |
| Deferred tax asset                                         | 19   | -               | -               |
|                                                            |      | <b>137,157</b>  | <b>132,552</b>  |
| <b>Current assets</b>                                      |      |                 |                 |
| Trade and other receivables                                | 16   | 20,256          | 11,753          |
| Cash and cash equivalents                                  |      | 11,148          | 8,115           |
|                                                            |      | <b>31,404</b>   | <b>19,868</b>   |
| <b>Total assets</b>                                        |      | <b>168,561</b>  | <b>152,420</b>  |
| <b>Current liabilities</b>                                 |      |                 |                 |
| Trade and other payables                                   | 20   | 13,409          | 7,068           |
| Current tax liabilities                                    |      | 1,048           | 1,044           |
| Borrowings - senior loan                                   | 17   | 3,000           | 4,170           |
| Provisions                                                 | 21   | 10              | 10              |
|                                                            |      | <b>17,467</b>   | <b>12,292</b>   |
| <b>Non-current liabilities</b>                             |      |                 |                 |
| Trade and other payables                                   | 20   | 4,457           | -               |
| Borrowings - senior loan                                   | 17   | 198,172         | 170,807         |
| Provisions                                                 | 21   | 34              | 34              |
| Deferred tax liabilities                                   | 19   | 1,426           | 1,838           |
|                                                            |      | <b>204,089</b>  | <b>172,679</b>  |
| <b>Total liabilities</b>                                   |      | <b>221,556</b>  | <b>184,971</b>  |
| <b>Net liabilities</b>                                     |      | <b>(52,995)</b> | <b>(32,551)</b> |
| <b>Equity</b>                                              |      |                 |                 |
| Share capital                                              | 22   | 10              | 10              |
| Share premium                                              |      | 1,252           | 1,252           |
| Own shares                                                 | 23   | (155)           | (44)            |
| Retained deficit                                           |      | (54,102)        | (33,769)        |
| <b>Equity attributable to owners of the parent company</b> |      | <b>(52,995)</b> | <b>(32,551)</b> |

The consolidated financial statements and notes of Etihad Topco Limited on pages 8 to 37 were approved by the board of directors and authorised for issue on 26 July 2017. They were signed on its behalf by:



Paul Doherty  
Director

Company Registered number 07479219

# Etihad Topco Limited

## Consolidated statement of changes in equity

### Equity attributable to owners of the parent company

|                                                  | Note | Share capital<br>£'000 | Share Premium<br>£'000 | Own shares<br>£'000 | Retained deficit<br>£'000 | Total equity<br>£'000 |
|--------------------------------------------------|------|------------------------|------------------------|---------------------|---------------------------|-----------------------|
| At 1 May 2015                                    |      | 10                     | 1,021                  | (26)                | 24,829                    | 25,834                |
| Profit for the year                              |      | -                      | -                      | -                   | 10,981                    | 10,981                |
| <b>Total comprehensive income for the year</b>   |      | -                      | -                      | -                   | <b>10,981</b>             | <b>10,981</b>         |
| Issue of share capital                           | 22   | -                      | 231                    | -                   | -                         | 231                   |
| Dividends                                        | 24   | -                      | -                      | -                   | (69,579)                  | (69,579)              |
| Acquisition of own shares                        | 23   | -                      | -                      | (18)                | -                         | (18)                  |
| <b>Total items recognised directly in equity</b> |      | -                      | <b>231</b>             | <b>(18)</b>         | <b>(69,579)</b>           | <b>(69,366)</b>       |
| <b>At 30 April 2016</b>                          |      | <b>10</b>              | <b>1,252</b>           | <b>(44)</b>         | <b>(33,769)</b>           | <b>(32,551)</b>       |
| Profit for the year                              |      | -                      | -                      | -                   | 1,192                     | 1,192                 |
| <b>Total comprehensive income for the year</b>   |      | -                      | -                      | -                   | <b>1,192</b>              | <b>1,192</b>          |
| Dividends                                        | 24   | -                      | -                      | -                   | (21,525)                  | (21,525)              |
| Acquisition of own shares                        | 23   | -                      | -                      | (111)               | -                         | (111)                 |
| <b>Total items recognised directly in equity</b> |      | -                      | -                      | <b>(111)</b>        | <b>(21,525)</b>           | <b>(21,636)</b>       |
| <b>At 30 April 2017</b>                          |      | <b>10</b>              | <b>1,252</b>           | <b>(155)</b>        | <b>(54,102)</b>           | <b>(52,995)</b>       |

# Etihad Topco Limited

## Consolidated cash flow statement For the year ended 30 April 2017

|                                                            | Note | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|------------------------------------------------------------|------|--------------------------------------|--------------------------------------|
| <b>Net cash inflow/(outflow) from operating activities</b> | 25   | 10,783                               | (7,463)                              |
| <b>Investing activities</b>                                |      |                                      |                                      |
| Interest received                                          |      | 20                                   | 28                                   |
| Payment to acquire other intangible assets                 |      | (7,337)                              | (4,720)                              |
| Purchase of property, plant and equipment                  | 13   | (428)                                | (603)                                |
| Proceeds on disposal of property, plant and equipment      |      | -                                    | 16                                   |
| Acquisition of subsidiaries, net of cash acquired          | 15   | (3,071)                              | (5,422)                              |
| <b>Net cash used in investing activities</b>               |      | <b>(10,816)</b>                      | <b>(10,701)</b>                      |
| <b>Financing activities</b>                                |      |                                      |                                      |
| Drawdown of senior loan                                    |      | 25,500                               | 181,670                              |
| Repayment of senior loan                                   |      | -                                    | (49,686)                             |
| Loan arrangement fees paid                                 |      | (798)                                | (7,510)                              |
| Repayment of loan notes                                    |      | -                                    | (35,127)                             |
| Dividends paid                                             | 24   | (21,525)                             | (69,579)                             |
| Acquisition of own shares                                  | 23   | (111)                                | (18)                                 |
| Net proceeds on issue of shares                            | 22   | -                                    | 231                                  |
| <b>Net cash generated by financing activities</b>          |      | <b>3,066</b>                         | <b>19,981</b>                        |
| <b>Net increase in cash</b>                                |      | <b>3,033</b>                         | <b>1,817</b>                         |
| Cash and cash equivalents at beginning of year             |      | 8,115                                | 6,298                                |
| <b>Cash and cash equivalents at end of year</b>            |      | <b>11,148</b>                        | <b>8,115</b>                         |

# **Etihad Topco Limited**

## **Notes to the consolidated financial statements**

### **1 General information**

Etihad Topco Limited is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 1. The nature of the group's operations and its principal activities are set out in the Strategic report on pages 2 to 3.

### **2 Significant accounting policies**

#### **Basis of accounting**

The consolidated financial statements have been prepared on a going concern basis, under the historic cost convention, modified for the recognition of certain assets and liabilities at fair value, in accordance with the Companies Act 2006, and in accordance with IFRSs as adopted by the EU. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

The presentational currency of the group is Sterling, which is the functional currency of all companies within the group, and rounded to the nearest thousand pounds. There are very few transactions in currencies other than Sterling; any such transactions are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included in the Statement of total comprehensive income for the year.

In preparing the financial statements, the directors are required to use certain critical accounting estimates and are required to exercise judgement in the application of accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. Further details are provided in note 3.

The principal accounting policies set out in this note have been consistently applied to all the periods presented. The following standards have been adopted by the group for the first time for the financial year beginning on 1 May 2016:

- Annual improvements 2012-2014 (effective 1 January 2016)
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation (effective 1 January 2016) (subject to EU endorsement)
- Amendments to IAS 16, 'Property, plant and equipment' and IAS 41, 'Agriculture' on bearer plants (effective 1 January 2016) (subject to EU endorsement)
- Amendments to IAS 27, 'Separate financial statements' on equity accounting (effective 1 January 2016) (subject to EU endorsement)
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption (effective 1 January 2016) subject to EU endorsement
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative (effective 1 January 2016) (subject to EU endorsement)

The adoption of the new and amended standards above has not had a material impact on the group financial statements.

The following new standards and amendments to standards, which have been issued but are not yet effective, and have not been early adopted by the group:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018)
- IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018)
- IFRS 16, 'Leases' (effective 1 January 2019)

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the group in future periods, except that IFRS 9 will impact both the measurement and disclosure of Financial Instruments, and IFRS 15 may impact on the timing and accounting treatment of revenue and customer acquisition costs. A detailed assessment will be completed by 30 April 2018, and results of the review presented in the financial statements for 30 April 2018.

# **Etihad Topco Limited**

## **Notes to the consolidated financial statements (continued)**

### **2 Significant accounting policies (continued)**

#### **Basis of accounting (continued)**

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until the detailed review has been completed.

#### **Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurements date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### **Basis of consolidation**

The group accounts comprise a consolidation of the company and entities controlled by the company, drawn up to 30 April each year. Control is achieved when the company:

- has power over the investee;
- is exposed, or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. All intra-group assets and liabilities, equity, income, expenses and cashflows relating to transactions between members of the group are eliminated on consolidation.

#### **Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence for a period of at least 12 months, thus they adopt the going concern basis of accounting in preparing the annual financial statements.

Further information on the financial position of the group, its financial risk management objectives and its exposure to credit risk and liquidity risk is contained in the Strategic report.

The group meets its day to day working capital requirements through cash generated from operating activities, although a revolving credit facility is also in place. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should continue to be able to operate using cash generated from operations, and meet covenant requirements, and that no additional borrowing facilities will be required.

# **Etihad Topco Limited**

## **Notes to the consolidated financial statements (continued)**

### **2 Significant accounting policies (continued)**

#### **Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of assets transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interest issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred over the net of the fair values at acquisition date of the identifiable assets acquired and the liabilities assumed.

Where consideration payable for business combinations include amounts payable in future periods which are dependent upon certain conditions being met, the amount linked to future conditions is treated as contingent consideration. Where the amounts payable in future periods do not require ongoing service from the vendors, these amounts are included as part of the consideration for the business combination. At the date of acquisition, the directors estimate the expected amount payable, and this amount is included as part of the cost of acquisition. At each subsequent reporting date the amount payable is reassessed and any change in the initial estimate is recognised in the Statement of total comprehensive income.

Where contingent consideration arrangements include a requirement for the vendors to remain in employment with the group after the acquisition, and the contingent consideration would be forfeited if they ceased employment with the group, the amount payable is treated as remuneration for post-acquisition services. At the date of acquisition, the directors estimate the amount payable and this is then spread evenly over the period in which those services are received. At each subsequent reporting date, the amount payable is reassessed and adjustments are made to the charge in the period and the total contingent consideration liability accrued.

Contingent considerations is classified as a level 3 financial instrument in accordance with IFRS 13.

#### **Goodwill**

Goodwill is initially recognised and measured as set out above. Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the group's cash-generating units expected to benefit from the goodwill. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is only recognised when it can be reliably measured and it is considered probable that the future economic benefits associated with the transaction will flow to the group, normally when collection of the resulting receivable is reasonably assured.

Appropriate adjustments are made where invoices are raised either in advance or in arrears, to ensure that revenue is recognised in the period to which it relates. The recognition of revenue associated with the provision of gas, electricity, water and sewerage services to customers by the group relies on estimates of actual usage where meter readings are not available. These estimates are based on historical usage information, adjusted for known factors such as variations in weather.

#### **Bundled packages**

Where goods and/or services are sold in a bundled transaction, revenue is allocated to the different components of the transaction based on relative fair values, which are determined based on amounts charged by the company on a stand-alone basis, or alternatively, based on comparable pricing arrangements observable in the market.

#### **Taxation**

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

## **Notes to the consolidated financial statements (continued)**

### **2 Significant accounting policies (continued)**

#### **Current tax**

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

#### **Deferred tax**

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount 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 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 of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the assets is realised based on tax laws and rates that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### **Current tax and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

#### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination and recognised separately from goodwill, and may include customer lists and regulatory licences, and are initially recognised at their fair value at the acquisition date, which is regarded as their cost. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Amortisation is charged to administrative expenses on a straight-line basis over the shorter of the customer life and the contractual period for customer contracts, and the shorter of the expected useful life and the licence term for regulatory licences.

#### **Intangible assets acquired separately - customer contracts**

Customer contracts acquired as a portfolio are initially measured at fair value. Assumptions are used in estimating the fair value of acquired intangible assets and include management's estimates of revenue and profits to be generated by the acquired contracts. Incremental costs incurred in acquiring individual customer contracts which confer a legal right to receive economic benefit for the duration of the contract are capitalised. Amortisation is charged to administrative expenses on a straight-line basis over the shorter of the customer life and the contractual period.

#### **Intangible assets acquired separately – software licences**

Software licences purchased are initially measured at cost and amortisation is charged to administrative expenses on a straight-line basis over their useful economic lives, which typically do not exceed a period of 4 years.

# **Etihad Topco Limited**

## **Notes to the consolidated financial statements (continued)**

### **2 Significant accounting policies (continued)**

#### **Internally-generated intangible assets – software development**

Expenditure on maintaining computer software programmes is recognised as an expense in the period in which it is incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the group, including internal staff costs, which are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Computer software development costs recognised as intangible assets are amortised over their estimated useful lives, which typically do not exceed a period of 2 years, with all amortisation charged to administrative expenses.

#### **Property, plant and equipment**

Land and buildings, fixtures and fittings, and motor vehicles are stated in the balance sheet at historical cost, less accumulated depreciation and any impairment losses. Historical cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

On disposal of property, fixtures and fittings or motor vehicles, the difference between the sale proceeds and the net book value at the date of disposal is recorded in the Statement of total comprehensive income.

Depreciation is recognised so as to write off the cost of assets (other than freehold land) less their residual values over their useful lives, using the straight line method, on the following bases:

|                         |   |               |
|-------------------------|---|---------------|
| Long Leasehold Property | - | over 50 years |
| Fixtures & Fittings     | - | over 4 years  |
| Motor Vehicles          | - | over 4 years  |

Residual values, remaining useful economic lives and depreciation methods are reviewed annually and adjusted prospectively if required.

#### **Impairment of non-current assets (excluding goodwill)**

Intangible assets and property, plant and equipment are tested for impairment whenever there is an indication that an asset may be impaired. An impairment loss is recognised in the statement of total comprehensive income if the recoverable amount (being the higher of fair value less costs to sell and value in use) of an asset or cash generating unit falls below its carrying value in the balance sheet. Such impairment losses may be reversed in subsequent periods if there is an indication that the impairment loss recognised in prior years may no longer exist or may have decreased.

#### **Financial instruments**

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the relevant instrument, and derecognised when it ceases to be a party to such provisions.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through the statement of total comprehensive income are recognised immediately in profit or loss.

#### **Financial assets**

The group classifies its financial assets into the categories, discussed below, due to the purpose for which the asset was acquired. The group has not classified any of its financial assets as held to maturity.

#### **Loans and receivables**

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value, including transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

**Notes to the consolidated financial statements (continued)****2 Significant accounting policies (continued)****Loans and receivables (continued)**

The group's loans and receivables comprise of trade and other receivables and accrued revenue included within the consolidated balance sheet. Cash and bank balances includes cash held at bank and cash on hand.

Impairment provisions are recognised when there is objective evidence, for example, significant financial difficulties on the part of the counterparty, or default, or significant delay in payment, that the group will be unable to collect all of the amounts due under the terms of the receivable. The amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the group's past experience of collecting payments.

For trade receivables which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of total comprehensive income. On confirmation that the trade receivables will not be collectable, the gross carrying value of the asset is written off against the associated provision. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

**Financial liabilities and equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Ordinary shares are classified as equity; ordinary shares issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

**Financial liabilities**

Borrowings and loan notes are initially recognised at fair value net of any directly attributable transaction costs. These interest-bearing liabilities are subsequently measured at amortised cost using the effective interest method, with the interest expense charged at a constant rate on the outstanding liabilities.

**Dividends**

Dividends and other distributions to the group's shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the shareholders. These amounts are recognised in the statement of changes in equity.

**Trade payables**

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycles of the business if longer). If not, they are presented as non-current liabilities. Trade payables are recognised initially at fair value, which is usually the original invoiced amount, and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities, including accruals, deferred consideration and onerous contract provisions, are initially recognised at fair value and subsequently measured at amortised cost.

# **Etihad Topco Limited**

## **Notes to the consolidated financial statements (continued)**

### **2 Significant accounting policies (continued)**

#### **Provisions**

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

#### **Share-based payments**

Occasionally, selected groups of employees are invited buy shares of Etihad Topco Limited; in such cases, the shares are issued by Etihad Topco Limited at fair value, for cash consideration. The group has not granted any share options, nor are there any other share-based payment transactions.

#### **Employee benefit trust**

The group operates and controls the Universal Utilities Employee Benefit Trust ('EBT'), primarily to acquire shares from individuals leaving employment with the group; the assets and liabilities of the EBT have been included in the group financial statements. The costs of purchasing own shares held by the EBT are shown as a deduction against equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

#### **Leases**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Rentals payable under operating leases are charged to income on a straight-line basis over the terms of the relevant lease, except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term.

#### **Retirement benefits**

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

#### **Holiday pay**

Paid holidays are regarded as an employee benefit and as such are charged to the statement of total comprehensive income as the benefits are earned. An accrual is made at each reporting date to reflect the fair value of holidays earned but not yet taken.

### **3 Critical accounting judgements and key sources of estimation uncertainty**

In the application of the group's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are continually evaluated based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances. In the future, actual results may differ from these estimates and assumptions.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements and estimates that the directors have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

## **Notes to the consolidated financial statements (continued)**

### **3 Critical accounting judgements and key sources of estimation uncertainty (continued)**

#### **Goodwill impairment review**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate a present value. These future cash flows will be based on forecasts which are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the group. Further details are provided in note 11.

#### **Other intangible assets**

As set out in note 2, intangible assets acquired in a business combination are capitalised and amortised over their useful lives. Both initial valuations and valuations for subsequent impairment tests are based on risk-adjusted future cash flows discounted using appropriate discount rates. These future cash flows will be based on forecasts which are inherently judgemental. Future events could cause the assumptions to change which could have an adverse effect on the future results of the group.

#### **Revenue recognition and recoverability of trade receivables**

In certain circumstances, when a customer cancels a contract before the agreed end date, the group is entitled to charge a termination fee. Despite the fact that the group is contractually entitled to apply these fees, recoverability of this type of revenue has historically been lower than for other revenue streams.

The directors believe that, based on past performance and collection patterns, they can reliably measure the probable economic benefits that will flow to the group from termination fees; however, there is inevitably some variability in the level of recoverability of termination fees, which is taken into account when assessing the initial fair value.

After initial recognition of revenue and associated accounts receivable in relation to termination fees, the trade receivables are reviewed to estimate the level of provision required for irrecoverable debt, alongside other trade receivables. Provisions are made against the portfolio of trade receivables to appropriately reflect any uncertainty as to recoverability.

Historic data indicates that the variability in recoverability of termination fees within group entities is less than 20%. Should the assumptions on which termination fee revenue is calculated vary by more than 20% then there may be a material impact on reported revenues and profits.

#### **Contingent consideration**

As explained in note 15, contingent consideration is payable in July 2019 in relation to the acquisition of TDO Holdings Limited and TBO Holdings Limited. The amount of contingent consideration payable is dependent upon the EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) of the acquired businesses in the financial year ended 30 April 2019, and upon the vendors remaining in employment with the group. The amount recognised as a salary cost to date has been based upon the directors' best estimate of the future amount payable, based upon the board-approved forecast for 2019.

The directors' estimate of contingent consideration will be updated annually based on the latest forecast performance of the acquired businesses for the year ended 30 April 2019, which could materially affect the future income statement charge.

### **4 Revenue**

All of the group's revenue for the current and prior year arises from continuing operations, namely the rendering of essential services including communication, utilities and financial services within the United Kingdom. There are no discontinued operations.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 5 Profit for the year

Profit for the year has been arrived at after charging:

|                                                                                                                             | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Staff costs (note 6)                                                                                                        | 19,543                               | 12,011                               |
| Amortisation of intangible assets included in administrative expenses (note 12)                                             | 8,696                                | 4,273                                |
| Depreciation of property, plant and equipment (note 13)                                                                     | 452                                  | 315                                  |
| Loss on disposal of property, plant and equipment                                                                           | -                                    | 2                                    |
| Operating lease rentals – land and buildings (note 26)                                                                      | 601                                  | 371                                  |
| Increase in provision for trade receivables (note 16)                                                                       | 1,523                                | 1,633                                |
| Acquisition-related expenses                                                                                                | -                                    | 47                                   |
| Customer acquisition costs                                                                                                  | 33                                   | 80                                   |
| Exceptional costs (including staff costs of £2,163,000)                                                                     | 6,368                                | -                                    |
| Auditors' remuneration:                                                                                                     |                                      |                                      |
| - for the audit of the parent company and consolidated financial statements                                                 | 3                                    | 3                                    |
| - for the audit of the company's subsidiaries pursuant to legislation                                                       | 70                                   | 45                                   |
| Total audit fees                                                                                                            | 73                                   | 48                                   |
| - for tax and advisory services (£79,000 of the 2017 total is also reported within non-recurring acquisition-related costs) | 130                                  | 125                                  |

Exceptional costs reported in 2017 includes £2,163,000 of acquisition-related salary costs recognised as contingent consideration, in relation to the acquisition of TBO Holdings Limited and TDO Holdings Limited, as explained in note 15. Other exceptional costs primarily relate to professional advisor fees incurred in relation to a potential acquisition opportunity which was not completed.

### 6 Staff costs

The average monthly number of persons (including directors) employed during the year was:

| By function                                | Year ended<br>30 April 2017<br>Number | Year ended<br>30 April 2016<br>Number |
|--------------------------------------------|---------------------------------------|---------------------------------------|
| Sales staff                                | 367                                   | 323                                   |
| Administrative and customer services staff | 464                                   | 281                                   |
| Management staff                           | 84                                    | 101                                   |
|                                            | 915                                   | 705                                   |

Their aggregate remuneration comprised:

|                                                                         | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|-------------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Wages and salaries                                                      | 20,392                               | 14,710                               |
| Social security costs                                                   | 1,444                                | 1,153                                |
| Pension costs                                                           | 100                                  | 63                                   |
| <b>Total remuneration</b>                                               | <b>21,936</b>                        | <b>15,926</b>                        |
| Acquisition-related salary costs recognised as contingent consideration | 2,163                                | -                                    |
| Amounts capitalised in intangible assets                                | (4,556)                              | (3,915)                              |
| <b>Staff costs recognised in profit and loss (note 5)</b>               | <b>19,543</b>                        | <b>12,011</b>                        |

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 6 Staff costs (continued)

Pension costs relate to defined contribution payments to the National Employment Savings Trust (NEST) on behalf of qualifying employees. The group does not operate any other pension schemes.

### 7 Directors' emoluments

|                                | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|--------------------------------|--------------------------------------|--------------------------------------|
| Directors' fees and emoluments | 684                                  | 744                                  |
| Pension costs                  | 1                                    | 1                                    |
|                                | <b>685</b>                           | <b>745</b>                           |

During the year retirement benefits were accruing to 3 directors under defined contribution schemes (2016: 3 directors). The aggregate amount of emoluments paid to the highest paid director was £176,000 (2016: £177,000).

The directors have been identified as the only key management personnel of the group. Set out below is the aggregate for each of the categories specified in IAS 24 Related Party Disclosures:

|                              | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|------------------------------|--------------------------------------|--------------------------------------|
| Short-term employee benefits | 684                                  | 744                                  |
| Post-employment benefits     | 1                                    | 1                                    |
|                              | <b>685</b>                           | <b>745</b>                           |

### 8 Finance income

|                           | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|---------------------------|--------------------------------------|--------------------------------------|
| Other interest receivable | 20                                   | 28                                   |
|                           | <b>20</b>                            | <b>28</b>                            |

All finance income arose on financial assets categorised as loans and receivables (including cash and cash equivalents).

### 9 Finance costs

|                                      | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Interest on loan notes               | -                                    | 2,664                                |
| Interest on borrowings – senior loan | 13,942                               | 9,200                                |
| Amortisation of debt issue costs     | 1,499                                | 2,335                                |
| <b>Total interest costs</b>          | <b>15,441</b>                        | <b>14,199</b>                        |
| Other finance charges                | 50                                   | 53                                   |
| <b>Total finance costs</b>           | <b>15,491</b>                        | <b>14,252</b>                        |

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 10 Tax

|                                       | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|---------------------------------------|--------------------------------------|--------------------------------------|
| Corporation tax:                      |                                      |                                      |
| Current year                          | 1,171                                | 3,181                                |
| Adjustments in respect of prior years | 681                                  | (735)                                |
|                                       | 1,852                                | 2,446                                |
| Deferred tax charge (note 19)         | 503                                  | 896                                  |
|                                       | 2,355                                | 3,342                                |

Corporation tax is calculated at 19.92% (2016: 20.00%) of the estimated taxable profit for the year.

The charge for the year can be reconciled to the amount recognised in the Statement of total comprehensive income as follows:

|                                                             | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|-------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Profit before tax on continuing operations                  | 3,547                                | 14,323                               |
| Tax at the UK corporation tax rate of 19.92% (2016: 20.00%) | 707                                  | 2,865                                |
| Adjustments in respect of prior years                       | 681                                  | (735)                                |
| Tax effect of expenses not deductible for tax purposes      | 1,027                                | 1,212                                |
| Other timing differences                                    | (60)                                 | -                                    |
| <b>Tax expense for the year</b>                             | <b>2,355</b>                         | <b>3,342</b>                         |

Changes to the UK corporation tax rates were announced on 8 July 2015. These changes were substantively enacted as part the Finance Bill 2015 on 26 October 2015 and include reductions to the main rate to 19% from 1 April 2017 and to 18% from 1 April 2020. On 16 March 2016 further changes to the UK corporation tax rate were announced including a further reduction in the UK corporation tax rate to 17% from 2020, which supersedes the change enacted on 26 October 2015.

### 11 Goodwill

|                                                     | £'000          |
|-----------------------------------------------------|----------------|
| <b>Cost</b>                                         |                |
| At 1 May 2015                                       | 118,421        |
| Recognised on acquisition of a subsidiary           | 2,411          |
| <b>At 30 April 2016</b>                             | <b>120,832</b> |
| Recognised on acquisition of a subsidiary (note 15) | 5,651          |
| <b>At 30 April 2017</b>                             | <b>126,483</b> |

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 11 Goodwill (continued)

Goodwill has been allocated to cash generating units ("CGU's") as follows for impairment testing purposes:

|                    | 30 April 2017<br>£'000 | 30 April 2016<br>£'000 |
|--------------------|------------------------|------------------------|
| Communications     | 119,809                | 119,809                |
| Gas                | 703                    | 703                    |
| Water              | 320                    | 320                    |
| Financial services | 5,651                  | -                      |
|                    | <b>126,483</b>         | <b>120,832</b>         |

'Communications' includes the acquisition of Verastar Limited, and its subsidiaries Clear Business Limited and 118777 Limited, and the acquisition of Business Comms Solution Limited. 'Gas' includes the acquisition of Economy Gas Limited, and 'Water' includes the acquisition of Clear Business Water Limited. 'Financial services' includes the acquisition of TBO Holdings Limited and TDO Holdings Limited.

The carrying value of the group's goodwill is not subject to annual amortisation and was tested for impairment at 30 April 2017. Key assumptions in the budgets and plans include future revenue, volume and price growth rates, associated future levels of sales and marketing support, cost-base of wholesale supplies, and directly associated overheads. These assumptions are based on historical trends and future market expectations specific to the CGU and the markets in which they operate.

The recoverable amount has been determined on a value-in-use basis on each CGU using the management-approved 5-year plan for each CGU, with growth beyond the forecast period assumed to be no more than the long-term forecast rate of inflation thereafter into perpetuity. These cash flows are then discounted at the group's pre-tax weighted average cost of capital of 7.36% (2016: 7.28%).

Based on the results of the current period impairment review, no impairment charges have been recognised by the group in the year ended 30 April 2017 (2016: £nil). Management have considered various sensitivity analyses in order to appropriately evaluate the carrying value of goodwill. Having assessed the anticipated future cash flows, the directors do not consider there to be any reasonably possible changes in assumptions that would lead to such an impairment charge in the year ended 30 April 2017.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 12 Other intangible assets

|                                                    | Customer<br>contracts<br>£'000 | Software<br>licences and<br>development<br>costs<br>£'000 | Regulatory<br>Licenses<br>£'000 | Total<br>£'000  |
|----------------------------------------------------|--------------------------------|-----------------------------------------------------------|---------------------------------|-----------------|
| <b>Cost</b>                                        |                                |                                                           |                                 |                 |
| At 1 May 2015                                      | 10,804                         | 1,538                                                     | 150                             | 12,492          |
| Acquired via acquisition of subsidiaries           | 4,910                          | -                                                         | 49                              | 4,959           |
| Additions                                          | 3,850                          | 1,042                                                     | -                               | 4,892           |
| <b>At 30 April 2016</b>                            | <b>19,564</b>                  | <b>2,580</b>                                              | <b>199</b>                      | <b>22,343</b>   |
| Acquired via acquisition of subsidiaries (note 15) | 454                            | -                                                         | -                               | 454             |
| Additions                                          | 5,300                          | 1,884                                                     | -                               | 7,184           |
| <b>At 30 April 2017</b>                            | <b>25,318</b>                  | <b>4,464</b>                                              | <b>199</b>                      | <b>29,981</b>   |
| <b>Amortisation</b>                                |                                |                                                           |                                 |                 |
| At 1 May 2015                                      | (7,087)                        | (931)                                                     | (70)                            | (8,088)         |
| Charge for the year                                | (3,578)                        | (659)                                                     | (36)                            | (4,273)         |
| <b>At 30 April 2016</b>                            | <b>(10,665)</b>                | <b>(1,590)</b>                                            | <b>(106)</b>                    | <b>(12,361)</b> |
| Charge for the year                                | (7,577)                        | (1,080)                                                   | (39)                            | (8,696)         |
| <b>At 30 April 2017</b>                            | <b>(18,242)</b>                | <b>(2,670)</b>                                            | <b>(145)</b>                    | <b>(21,057)</b> |
| <b>Carrying amount</b>                             |                                |                                                           |                                 |                 |
| At 1 May 2015                                      | 3,717                          | 607                                                       | 80                              | 4,404           |
| <b>At 30 April 2016</b>                            | <b>8,899</b>                   | <b>990</b>                                                | <b>93</b>                       | <b>9,982</b>    |
| <b>At 30 April 2017</b>                            | <b>7,076</b>                   | <b>1,794</b>                                              | <b>54</b>                       | <b>8,924</b>    |

Customer contracts are amortised over the shorter of the estimated customer life, taking into consideration historical levels of customer churn, and the contractual period, which is typically less than 3 years. The amortisation period for software development costs incurred on the group's CRM and billing systems is 2 years. Regulatory licences are amortised over their estimated useful lives, which are not anticipated to exceed 5 years. Amortisation is included within administrative expenses in the Statement of total comprehensive income.

At 30 April 2017 the weighted average remaining useful economic life of intangible assets was 22 months.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 13 Property, plant and equipment

|                                 | Long leasehold<br>property<br>£'000 | Fixtures &<br>fittings<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---------------------------------|-------------------------------------|---------------------------------|----------------------------|----------------|
| <b>Cost</b>                     |                                     |                                 |                            |                |
| At 1 May 2015                   | 964                                 | 832                             | 119                        | 1,915          |
| Additions                       | -                                   | 442                             | 161                        | 603            |
| Disposals                       | -                                   | -                               | (38)                       | (38)           |
| <b>At 30 April 2016</b>         | <b>964</b>                          | <b>1,274</b>                    | <b>242</b>                 | <b>2,480</b>   |
| Additions                       | -                                   | 413                             | 15                         | 428            |
| Acquisitions (note 15)          | -                                   | 36                              | -                          | 36             |
| <b>At 30 April 2017</b>         | <b>964</b>                          | <b>1,723</b>                    | <b>257</b>                 | <b>2,944</b>   |
| <b>Accumulated depreciation</b> |                                     |                                 |                            |                |
| At 1 May 2015                   | (88)                                | (332)                           | (27)                       | (447)          |
| Charge for the year             | (22)                                | (243)                           | (50)                       | (315)          |
| Eliminated on disposals         | -                                   | -                               | 20                         | 20             |
| <b>At 30 April 2016</b>         | <b>(110)</b>                        | <b>(575)</b>                    | <b>(57)</b>                | <b>(742)</b>   |
| Charge for the year             | (22)                                | (364)                           | (66)                       | (452)          |
| <b>At 30 April 2017</b>         | <b>(132)</b>                        | <b>(939)</b>                    | <b>(123)</b>               | <b>(1,194)</b> |
| <b>Carrying amount</b>          |                                     |                                 |                            |                |
| At 1 May 2015                   | 876                                 | 500                             | 92                         | 1,468          |
| <b>At 30 April 2016</b>         | <b>854</b>                          | <b>699</b>                      | <b>185</b>                 | <b>1,738</b>   |
| <b>At 30 April 2017</b>         | <b>832</b>                          | <b>784</b>                      | <b>134</b>                 | <b>1,750</b>   |

There were no assets held under finance leases during the current year or prior year. Depreciation is included within administrative expenses in the Statement of total comprehensive income

### 14 Subsidiaries

The group comprises a parent company, Etihad Topco Limited, incorporated in the United Kingdom, and a number of subsidiary companies held directly and indirectly by Etihad Topco Limited, all of which are incorporated in and operate in the United Kingdom. All of the group's subsidiaries are 100% owned and controlled by the group.

A full list of subsidiary companies is provided in note 4 to the company's separate financial statements.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 15 Acquisition of subsidiaries

On 8 July 2016, the group acquired the entire issued share capital, and thereby gained control, of TBO Holdings Limited and TDO Holdings Limited, both of which are incorporated in England and Wales. TBO Holdings Limited is the holding company of a subsidiary engaged in the supply of insurance services to the SME market in the UK, and TDO Holdings Limited is the holding company of a subsidiary engaged in the supply of data and media services to the SME market in the UK; the acquisition of these companies was to facilitate the continued expansion of the services that the group is able to offer to its customers.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out below:

|                                                  | Fair value<br>£'000 |
|--------------------------------------------------|---------------------|
| Identifiable intangible assets (note 12)         | 454                 |
| Property, plant and equipment (note 13)          | 36                  |
| Trade and other receivables                      | 507                 |
| Cash and cash equivalents                        | 1,068               |
| Trade payables and accruals                      | (373)               |
| Current tax liabilities                          | (104)               |
| Deferred tax liability (note 19)                 | (91)                |
| <b>Total identifiable assets and liabilities</b> | <b>1,497</b>        |
| Goodwill (note 11)                               | 5,651               |
| <b>Total</b>                                     | <b>7,148</b>        |

**Satisfied by:**

|                                        |              |
|----------------------------------------|--------------|
| Cash                                   | 4,139        |
| Deferred consideration                 | 3,009        |
| <b>Total consideration transferred</b> | <b>7,148</b> |

**Net cash outflow arising on acquisition:**

|                             |              |
|-----------------------------|--------------|
| Cash consideration          | 4,139        |
| Less cash balances acquired | (1,068)      |
|                             | <b>3,071</b> |

The goodwill of £5,651,000 arising from the acquisition of TBO Holdings Limited and TDO Holdings Limited represents the value inherent in the assembled staff, systems and processes, and the benefit to the group of being able to cross-sell additional services to the acquired customers.

The contribution of TDO Holdings Limited and TBO Holdings Limited to the consolidated results of the group for the period since acquisition to the balance sheet date was £3,804,000 to revenue and £157,000 loss before tax for the year, after amortisation charges of £500,000. Had TDO Holdings Limited and TBO Holdings Limited been acquired on 1 May 2016, group revenues for the year would have been £874,000 higher and group profit before tax would have been £86,000 higher.

Acquisition-related costs included in non-recurring administrative expenses amount to £80,000.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 15 Acquisition of subsidiaries (continued)

As part of the acquisition of TDO Holdings Limited and TBO Holdings Limited, an earnout agreement was entered into whereby additional amounts will be payable to the vendors based on the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) of the acquired businesses in the financial year ended 30 April 2019 ('2019 EBITDA').

The amount payable is based on a multiple of 2019 EBITDA, less the amounts already paid to the vendors. A condition of the earnout arrangement is that the vendors must remain in employment with the group throughout the period to 30 April 2019, otherwise any additional amounts payable will be forfeited. Therefore, the future amount payable has been treated as post-acquisition remuneration in accordance with the group's accounting policy.

For the year ended 30 April 2017, £2,163,000 has been charged to profit and loss in respect of the earnout agreement. This amount has been derived based on the directors' best estimate of the future amount payable, which is then being spread evenly over the period from the date of acquisition until 30 April 2019.

The fair value of the post-acquisition remuneration has been estimated by applying the income method. The directors have used the board-approved budget for the year ended 30 April 2019 as the basis for estimating the amount payable. The total amount payable has not been discounted as the directors consider the impact of discounting to be immaterial. The key inputs used in assessing the overall fair value are revenue growth, gross margin and administrative expenses. The directors consider the disclosure of the specific assumptions used to be highly prejudicial, and as such, have chosen not to disclose them.

### 16 Trade and other receivables

|                                                  | 30 April 2017<br>£'000 | 30 April 2016<br>£'000 |
|--------------------------------------------------|------------------------|------------------------|
| Amounts receivable for the rendering of services | 7,568                  | 4,483                  |
| Allowance for doubtful debts                     | (1,515)                | (1,423)                |
|                                                  | 6,053                  | 3,060                  |
| Other debtors                                    | 6,683                  | 5,625                  |
| Prepayments                                      | 7,520                  | 3,068                  |
|                                                  | 20,256                 | 11,753                 |

All trade and other receivables are denominated in Sterling.

|                                               | Year ended 30<br>April 2017<br>£'000 | Year ended 30<br>April 2016<br>£'000 |
|-----------------------------------------------|--------------------------------------|--------------------------------------|
| Allowance for doubtful debts at start of year | 1,423                                | 1,142                                |
| Increase in provision                         | 1,523                                | 1,633                                |
| Amounts written off                           | (1,431)                              | (1,352)                              |
| Allowance for doubtful debts at end of year   | 1,515                                | 1,423                                |

#### Trade receivables

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost. For the majority of services provided by the group, invoices are raised mid-month, and the balances due are collected by direct debit 14 days (10 working days) after the invoice date and before the month-end date. For the minority of customers who do not pay by direct debit, payment is due 14 days after the date of invoice, and as such, the majority of the trade receivables balance at the balance sheet date represents unpaid invoices which are past their due date, and are therefore considered for impairment.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 16 Trade and other receivables (continued)

The group has recognised an allowance for doubtful debts of 100% against all receivables over 12 months old, because historical experience has been that receivables that are past due beyond 12 months are very unlikely to be recovered. Allowances against doubtful debts are recognised against trade receivables that are less than 12 months old based on estimated recoverable amounts determined by reference to past default experience across the portfolio of customers.

External credit scoring systems are not generally used to assess the credit quality of new communication customers, however, a series of checks are performed internally to identify potential higher-risk customers. Additional services are only extended to existing customers with a minimum history of paying by Direct Debit, or who achieve a minimum credit score with an external agency.

The concentration of credit risk is limited due to the customer base being large and unrelated; with the exception of one corporate customer, no other individual customer represents more than 1% of the total balance of group trade receivables. The group does not hold any collateral or other credit enhancements over any of its trade receivables, nor does it have a legal right of offset against any amounts owed by the group to the counterparty.

Ageing of past due receivables:

|                                          | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|------------------------------------------|---------------------------|---------------------------|
| Less than one month past due             | 2,556                     | 1,386                     |
| Between one and two months past due      | 1,282                     | 594                       |
| Between two and three months past due    | 632                       | 532                       |
| Between three and six months past due    | 1,145                     | 890                       |
| Between six months and one year past due | 1,953                     | 1,081                     |
|                                          | <b>7,568</b>              | <b>4,483</b>              |

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value given the short-term nature of trade receivables. Other receivables are not considered to be impaired, and no provisions are made against these balances.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 17 Borrowings

|                                                        | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|--------------------------------------------------------|---------------------------|---------------------------|
| <b>Unsecured borrowing at amortised cost</b>           |                           |                           |
| Vendor loan notes - due for settlement after 12 months | -                         | -                         |
| PIK loan notes - due for settlement after 12 months    | -                         | -                         |
|                                                        | -                         | -                         |
| <b>Secured borrowing at amortised cost</b>             |                           |                           |
| Senior loan - due for settlement within 12 months      | 3,000                     | 4,170                     |
| Senior loan - due for settlement after 12 months       | 198,172                   | 170,807                   |
|                                                        | <b>201,172</b>            | <b>174,977</b>            |
| <b>Total borrowings</b>                                |                           |                           |
| Amount due for settlement within 12 months             | 3,000                     | 4,170                     |
| Amount due for settlement after 12 months              | 198,172                   | 170,807                   |
|                                                        | <b>201,172</b>            | <b>174,977</b>            |

All borrowings are denominated in Sterling. The Vendor loan notes had a maturity date of 26 April 2046, and accrued interest at 11% per annum, and were redeemed in full on 16 October 2015. The PIK loan notes had a maturity date of 26 April 2021 and accrued interest at 11% per annum, and were also redeemed in full on 16 October 2015.

A new senior loan facility was agreed on 5 October 2015, and was increased on 10 March 2016, and amended on 12 April 2017, with a total available facility of £200,000,000 (plus £8,000,000 revolving facility). An additional acquisition facility of £50,000,000 expired on 31 March 2017. The facility is secured on all assets and future profits of the group, has an average effective interest rate of 7.36%, and terminates in May 2021.

### 18 Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the bases for recognition of income and expense for each class of financial asset, financial liability and equity instrument are disclosed in note 2.

#### Capital risk management

The group's capital structure consists of net debt and total equity. The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders, and to maintain an optimal capital structure to reduce the cost of capital. There were no changes to the group's approach to capital management during the year. The main risk to the group is that its capital structure will not be sufficient to support the growth of the business. There are no externally imposed capital requirements.

The senior loan facility has a requirement for the group to comply with certain covenant ratios including net debt to EBITDA (leverage) and cashflow cover, in addition to minimum EBITDA levels and capital expenditure limits. These covenants are monitored regularly, and the group has met all covenant tests to date.

In order to maintain or adjust the capital structure, the group may use excess cash generated in operations to make additional payments of senior debt, or return capital to shareholders.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 18 Financial instruments (continued)

The group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings excluding unamortised fees, less cash. Total capital is calculated as equity as disclosed in the consolidated balance sheet plus net debt as defined above. The gearing ratios, which are in line with targeted levels, were as follows:

|                                                 | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 | 30 April<br>2015<br>£'000 |
|-------------------------------------------------|---------------------------|---------------------------|---------------------------|
| Total borrowings                                | 201,172                   | 174,977                   | 105,090                   |
| Add back unamortised borrowing arrangement fees | 5,998                     | 6,693                     | 1,518                     |
| Less cash balances                              | (11,148)                  | (8,115)                   | (6,298)                   |
| <b>Net debt</b>                                 | <b>196,022</b>            | <b>173,555</b>            | <b>100,310</b>            |
| Total equity                                    | (52,995)                  | (32,551)                  | 25,834                    |
| <b>Total capital</b>                            | <b>143,027</b>            | <b>141,004</b>            | <b>126,144</b>            |
| <b>Gearing ratio</b>                            | <b>137.1%</b>             | <b>123.1%</b>             | <b>79.5%</b>              |

#### Financial risk management objectives

The group's activities expose it to a variety of financial risks including interest rate risk, liquidity risk and credit risk. The group has no exposure to foreign currency risk as all of the group's borrowings and all sales and purchases are denominated in Sterling.

The group's main objectives in managing financial risks are to ensure sufficient liquidity is available to meet its foreseeable needs, and to invest cash assets safely and profitably. Exposure to these risks is regularly reviewed, and, where appropriate, the directors will take action to minimise the impact of these risks on the business.

The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

#### Interest rate risk

The group is exposed to interest rate risk because entities in the group borrow funds at floating interest rates. The risk is managed by the group maintaining an appropriate mix between fixed and floating rate borrowings, and periodically, the group seeks to amend its available facilities where it is possible to reduce the effective interest rate. The group does not receive interest on cash balances, and receives interest at floating rates on a small number of other debtor balances receivable.

At 30 April 2017 it is estimated that a movement of 0.5 percentage point in interest rates, which represents management's assessment of a reasonably possible change, with all other variables remaining constant, would increase the group's annual interest expense by approximately £461,000 (2016: £908,000).

#### Interest rate swaps

At 30 April 2017 the group's fixed rate financial liabilities related to bank borrowings that are covered by an interest rate swap. The group has entered into an interest rate swap, the effect of which is to classify £118.3 million (2016: £118.3 million) of the group's borrowings as fixed rate, which reduces the exposure to cash flow risk.

The details of the interest swap is as follows:

· Interest swap classifying £118.33 million of debt as fixed rate from 16 January 2017 to 16 January 2018. The rate, excluding margin, was 0.427%.

The fair value of the Group's interest rate swaps as at 30 April 2017 is not material (2016: not material) and therefore no gain or loss has been recognised in these financial statements. For the year ended 30 April 2017, the group's interest rate swap has been classified as a level 2 financial instrument in accordance with the requirements of IFRS 13.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 18 Financial instruments (continued)

#### Credit risk

Credit risk refers to the risk that a counterparty will default on its obligations resulting in financial loss to the group. The group is exposed to credit risk on financial assets such as cash and bank balances, and trade and other receivables. The group's credit risk is primarily attributable to its trade receivables, as bank balances are held with financial institutions with high quality credit ratings.

The amounts recognised in the balance sheet for trade receivables are net of appropriate allowances for doubtful receivables, estimated by the group's management based on prior experience and their assessment of the current economic environment. The exposure is spread across a large number of customers, covering a wide range of industry and service sectors; consequently the group does not have any significant credit risk exposure to any single counterparty. The carrying amount of financial assets represents the maximum credit exposure at the balance sheet date. See note 16 for further information on trade receivables.

#### Liquidity risk

Liquidity risk represents the risk that the group will not be able to meet its financial obligations as they fall due. The group manages liquidity risk by maintaining adequate cash reserves, banking facilities, and a revolving credit facility, and by monitoring forecast and actual cash flows on a regular basis. Significant items of capital expenditure and acquisitions require board approval.

The tables below analyse the group's remaining contractual maturity for its financial liabilities with agreed repayment periods. The amounts disclosed in the table are the gross contractual undiscounted cash flows based on the earliest date on which the group can be required to pay.

| Gross cash outflows  |                             |                                          |                                           |                              |                              | 30 April 2017              |
|----------------------|-----------------------------|------------------------------------------|-------------------------------------------|------------------------------|------------------------------|----------------------------|
|                      | Within<br>one year<br>£'000 | Between<br>one and<br>two years<br>£'000 | Between<br>two and<br>five years<br>£'000 | After five<br>years<br>£'000 | Debt issue<br>costs<br>£'000 | Carrying<br>value<br>£'000 |
| <b>Fixed rate</b>    |                             |                                          |                                           |                              |                              |                            |
| Senior loan          | -                           | -                                        | 118,333                                   | -                            | (3,490)                      | 114,843                    |
| <b>Floating rate</b> |                             |                                          |                                           |                              |                              |                            |
| Senior loan          | 3,000                       | -                                        | 85,837                                    | -                            | (2,508)                      | 86,329                     |
|                      | <b>3,000</b>                | <b>-</b>                                 | <b>204,170</b>                            | <b>-</b>                     | <b>(5,998)</b>               | <b>201,172</b>             |

| Gross cash outflows  |                             |                                          |                                           |                              |                              | 30 April 2016              |
|----------------------|-----------------------------|------------------------------------------|-------------------------------------------|------------------------------|------------------------------|----------------------------|
|                      | Within<br>one year<br>£'000 | Between<br>one and<br>two years<br>£'000 | Between<br>two and<br>five years<br>£'000 | After five<br>years<br>£'000 | Debt issue<br>costs<br>£'000 | Carrying<br>value<br>£'000 |
| <b>Fixed rate</b>    |                             |                                          |                                           |                              |                              |                            |
| Senior loan          | -                           | -                                        | -                                         | 118,333                      | (4,462)                      | 113,871                    |
| <b>Floating rate</b> |                             |                                          |                                           |                              |                              |                            |
| Senior loan          | 4,170                       | -                                        | -                                         | 59,167                       | (2,231)                      | 61,106                     |
|                      | <b>4,170</b>                | <b>-</b>                                 | <b>-</b>                                  | <b>177,500</b>               | <b>(6,693)</b>               | <b>174,977</b>             |

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 19 Deferred tax

#### Deferred tax assets

|                                                                              | Interest accrued<br>but unpaid<br>£'000 |
|------------------------------------------------------------------------------|-----------------------------------------|
| At 1 May 2015                                                                | 915                                     |
| Credit to consolidated statement of total comprehensive income for the year  | (915)                                   |
| <b>At 30 April 2016</b>                                                      | <b>-</b>                                |
| Charged to consolidated statement of total comprehensive income for the year | -                                       |
| <b>At 30 April 2017</b>                                                      | <b>-</b>                                |

A deferred tax asset was recognised in previous periods in respect of interest accrued but unpaid at the balance sheet date, as it was considered probable that the asset would be recovered in future periods when the interest was paid, and that there would be sufficient taxable profits available; the deferred tax asset was recovered in the year ended 30 April 2016 as the underlying accrued interest had been paid.

#### Deferred tax liabilities

|                                                                             | On intangible<br>assets<br>£'000 |
|-----------------------------------------------------------------------------|----------------------------------|
| At 1 May 2015                                                               | 865                              |
| Arising on acquisition of subsidiaries                                      | 992                              |
| Charge to consolidated statement of total comprehensive income for the year | (19)                             |
| <b>At 30 April 2016</b>                                                     | <b>1,838</b>                     |
| Arising on acquisition of subsidiaries (note 15)                            | 91                               |
| Charge to consolidated statement of total comprehensive income for the year | (503)                            |
| <b>At 30 April 2017</b>                                                     | <b>1,426</b>                     |

Amortisation of other intangible assets during the forthcoming financial year is anticipated to lead to the unwinding of £765,000 of the deferred tax liability held at 30 April 2017.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 20 Trade and other payables

|                                 | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 | 30 April<br>2015<br>£'000 |
|---------------------------------|---------------------------|---------------------------|---------------------------|
| <b>Current liabilities</b>      |                           |                           |                           |
| Trade payables                  | 5,255                     | 776                       | 1,669                     |
| Accruals and deferred income    | 4,114                     | 3,434                     | 2,682                     |
| Social security and other taxes | 1,558                     | 1,699                     | 1,367                     |
| Deferred consideration          | 715                       | -                         | -                         |
| Contingent consideration        | -                         | -                         | 42                        |
| Other payables                  | 1,767                     | 1,159                     | 1,163                     |
|                                 | <b>13,409</b>             | <b>7,068</b>              | <b>6,923</b>              |
| <b>Non-current liabilities</b>  |                           |                           |                           |
| Deferred consideration          | 2,294                     | -                         | -                         |
| Contingent consideration        | 2,163                     | -                         | -                         |
|                                 | <b>4,457</b>              | <b>-</b>                  | <b>-</b>                  |

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The group has financial risk management policies in place to ensure that all payables are paid within pre-agreed credit terms. The directors consider that the carrying amount of trade payables approximates to their fair value due to their short-term nature.

Contingent consideration at 30 April 2015 arose on the acquisition of Clear Business Water on 14 November 2013. The fair value of contingent consideration was determined based on management's best estimate of the amounts to fall due, taking account of forecast future business performance, on which payments were contingent. Contingent consideration was valued as a level 3 financial instrument but given the amount is not material to the Group financial statements, no additional disclosure was deemed necessary. The amount of £42,000 outstanding at 30 April 2015 was settled during the year ended 30 April 2016.

Deferred and contingent consideration at 30 April 2017 arose on the acquisition of TDO Holdings Limited and TBO Holdings Limited on 8 July 2016, as explained in note 15. Non-current deferred consideration will be paid in July 2018. The fair value of contingent consideration was determined based on management's best estimate of the amounts to fall due, taking account of forecast future business performance, on which payments were contingent. Contingent consideration was valued as a level 3 financial instrument. The non-current contingent consideration is due to be paid in full by July 2019.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 21 Provisions

|                          | Dilapidations on<br>leased properties<br>£'000 |                                    |                                    |
|--------------------------|------------------------------------------------|------------------------------------|------------------------------------|
| At 1 May 2015            |                                                |                                    | 60                                 |
| Utilisation of provision |                                                |                                    | (16)                               |
| <b>At 30 April 2016</b>  |                                                |                                    | <b>44</b>                          |
| Utilisation of provision |                                                |                                    | -                                  |
| <b>At 30 April 2017</b>  |                                                |                                    | <b>44</b>                          |
|                          | <b>30 April<br/>2017<br/>£'000</b>             | <b>30 April<br/>2016<br/>£'000</b> | <b>30 April<br/>2015<br/>£'000</b> |
| Current                  | 10                                             | 10                                 | 10                                 |
| Non-current              | 34                                             | 34                                 | 50                                 |
|                          | <b>44</b>                                      | <b>44</b>                          | <b>60</b>                          |

The dilapidations provision represents the directors' best estimate of the group's liability under existing property leases, based on past experience of similar properties.

### 22 Share capital

|                                                                        | <b>30 April<br/>2017<br/>£'000</b> | <b>30 April<br/>2016<br/>£'000</b> | <b>30 April<br/>2015<br/>£'000</b> |
|------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Authorised:</b>                                                     |                                    |                                    |                                    |
| 901,809 (2016: 901,809; 2015: 901,809 ) A ordinary shares of £0.01each | 9                                  | 9                                  | 9                                  |
| 61,750 (2016: 61,750; 2015: 66,750) B ordinary shares of £0.01each     | 1                                  | 1                                  | 1                                  |
| 17,750 (2016: 17,750; 2015: 17,750) C ordinary shares of £0.01each     | -                                  | -                                  | -                                  |
| 15,500 (2016: 15,500; 2015: 15,500) D ordinary shares of £0.01each     | -                                  | -                                  | -                                  |
| 2,000 (2016: 2,000; 2015: nil) E ordinary shares of £0.01each          | -                                  | -                                  | -                                  |
| 3,000 (2016: 3,000; 2015: nil) F ordinary shares of £0.01each          | -                                  | -                                  | -                                  |
|                                                                        | <b>10</b>                          | <b>10</b>                          | <b>10</b>                          |

|                                                                        | <b>30 April<br/>2017<br/>£'000</b> | <b>30 April<br/>2016<br/>£'000</b> | <b>30 April<br/>2015<br/>£'000</b> |
|------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| <b>Allotted, called up and fully paid:</b>                             |                                    |                                    |                                    |
| 901,809 (2016: 901,809; 2015: 901,809 ) A ordinary shares of £0.01each | 9                                  | 9                                  | 9                                  |
| 61,750 (2016: 61,750; 2015: 61,750) B ordinary shares of £0.01each     | 1                                  | 1                                  | 1                                  |
| 17,750 (2016: 17,750; 2015: 17,750) C ordinary shares of £0.01each     | -                                  | -                                  | -                                  |
| 15,500 (2016: 15,500; 2015: 15,500) D ordinary shares of £0.01each     | -                                  | -                                  | -                                  |
| 2,000 (2016: 2,000; 2015: nil) E ordinary shares of £0.01each          | -                                  | -                                  | -                                  |
| 3,000 (2016: 3,000; 2015: nil) F ordinary shares of £0.01each          | -                                  | -                                  | -                                  |
|                                                                        | <b>10</b>                          | <b>10</b>                          | <b>10</b>                          |

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 22 Share capital (continued)

On 4 January 2016, the number of authorised B ordinary shares was reduced from 66,750 to 64,750 shares, and 2,000 E ordinary shares were authorised and issued for gross proceeds of £100,000, with total nominal value £20 and share premium of £99,980. On 29 March 2016, the number of authorised B ordinary shares was reduced from 64,750 to 61,750 shares, and 3,000 F ordinary shares were authorised and issued for gross proceeds of £131,250, with total nominal value of £30 and share premium of £131,220.

The A, B, C, D, E and F ordinary shares rank pari passu as regards entitlement to dividends, repayment of capital and voting rights.

### 23 Own shares

|                         | £'000      |
|-------------------------|------------|
| At 1 May 2015           | 26         |
| Acquired in the year    | 18         |
| <b>At 30 April 2016</b> | <b>44</b>  |
| Acquired in the year    | 111        |
| <b>At 30 April 2017</b> | <b>155</b> |

The own shares reserve represents the cost of shares in Etihad Topco Limited purchased by the Universal Utilities Employee Benefit Trust from individual shareholders leaving employment of the group. During the year, the Trust has acquired 374 A ordinary shares, 1,000 B ordinary shares, 1,875 C ordinary shares, 1,125 D ordinary shares and 125 F ordinary shares at a total cost of £111,000.

At 30 April 2017 the Trust held 1,496 A ordinary shares, 4,000 B ordinary shares, 2,125 C ordinary shares, 1,125 D ordinary shares and 215 F ordinary shares, (30 April 2016: 935 A ordinary shares, 2,500 B ordinary shares and 250 C ordinary shares).

### 24 Dividends

|                                                               | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|---------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Interim dividend of £21.67 per share (2016: £43.40 per share) | 21,525                               | 43,106                               |
| Interim dividend of £nil per share (2016: £26.60 per share)   | -                                    | 26,473                               |
|                                                               | <b>21,525</b>                        | <b>69,579</b>                        |

An interim dividend of £21.67 per share was proposed and paid in March 2017. During the previous financial year, an interim dividend of £43.40 per share was proposed and paid in October 2015, and a further interim dividend of £26.60 per share was proposed and paid in January 2016. No final dividends have been proposed (2016: none). Dividends payable on shares held by the Universal Utilities Limited Employee Benefit Trust have been eliminated on consolidation.

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 25 Notes to the cash flow statement

#### Reconciliation of profit for the year to net cash from operating activities:

|                                                                | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|----------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Profit for the year                                            | 1,192                                | 10,981                               |
| Adjustments for:                                               |                                      |                                      |
| Finance income                                                 | (20)                                 | (28)                                 |
| Finance costs                                                  | 15,491                               | 14,252                               |
| Tax expense                                                    | 2,355                                | 3,342                                |
| Depreciation of property, plant and equipment                  | 452                                  | 315                                  |
| Amortisation of intangible assets                              | 8,696                                | 4,273                                |
| Loss on disposal of property, plant and equipment              | -                                    | 2                                    |
| <b>Operating cashflows before movements in working capital</b> | <b>28,166</b>                        | <b>33,137</b>                        |
| Increase in receivables                                        | (7,997)                              | (2,514)                              |
| Decrease in payables                                           | 7,439                                | (1,500)                              |
| <b>Cash generated by operations</b>                            | <b>27,608</b>                        | <b>29,123</b>                        |
| Taxes paid                                                     | (2,959)                              | (5,103)                              |
| Interest paid                                                  | (13,866)                             | (31,483)                             |
| <b>Net cash inflow/(outflow) from operating activities</b>     | <b>10,783</b>                        | <b>(7,463)</b>                       |

#### Analysis of changes in net debt

|                           | 1 May<br>2016<br>£'000 | Acquisitions<br>£'000 | Interest<br>charges<br>£'000 | Other<br>non-cash<br>changes<br>£'000 | Cashflow<br>£'000 | 30 April<br>2017<br>£'000 |
|---------------------------|------------------------|-----------------------|------------------------------|---------------------------------------|-------------------|---------------------------|
| Cash and cash equivalents | 8,115                  | 1,068                 | -                            | -                                     | 1,965             | 11,148                    |
| Senior loan               | (174,977)              | -                     | (15,491)                     | 929                                   | (11,633)          | (201,172)                 |
| <b>Net debt</b>           | <b>(166,862)</b>       | <b>1,068</b>          | <b>(15,491)</b>              | <b>929</b>                            | <b>(9,668)</b>    | <b>(190,024)</b>          |

|                           | 1 May<br>2015<br>£'000 | Acquisitions<br>£'000 | Interest<br>charges<br>£'000 | Other<br>non-cash<br>changes<br>£'000 | Cashflow<br>£'000 | 30 April<br>2016<br>£'000 |
|---------------------------|------------------------|-----------------------|------------------------------|---------------------------------------|-------------------|---------------------------|
| Cash and cash equivalents | 6,298                  | 1,347                 | -                            | -                                     | 470               | 8,115                     |
| Senior loan               | (48,168)               | -                     | (11,588)                     | 8,166                                 | (123,387)         | (174,977)                 |
| Loan notes                | (56,922)               | -                     | (2,664)                      | -                                     | 59,586            | -                         |
| <b>Net debt</b>           | <b>(98,792)</b>        | <b>1,347</b>          | <b>(14,252)</b>              | <b>8,166</b>                          | <b>(63,331)</b>   | <b>(166,862)</b>          |

# Etihad Topco Limited

## Notes to the consolidated financial statements (continued)

### 26 Operating lease arrangements

The group as lessee

|                                                                      | Year ended<br>30 April 2017<br>£'000 | Year ended<br>30 April 2016<br>£'000 |
|----------------------------------------------------------------------|--------------------------------------|--------------------------------------|
| Payments under operating leases recognised as an expense in the year | 601                                  | 371                                  |

At the balance sheet date, the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

|                                        | 30 April 2017<br>£'000 | 30 April 2016<br>£'000 |
|----------------------------------------|------------------------|------------------------|
| Within one year                        | 9                      | 17                     |
| In the second to fifth years inclusive | 318                    | 338                    |
| After five years                       | 354                    | 661                    |
|                                        | 681                    | 1,016                  |

Operating lease payments represent rentals payable by the group for certain of its office properties. Leases are negotiated for periods of 1 to 10 years and rentals are fixed for an average of 2 years with an option to extend for a further number of 3 years at the prevailing market rate.

### 27 Parent undertakings and controlling party

The immediate parent undertaking is Telco SARL, a company incorporated in Luxembourg. The ultimate parent undertaking and controlling party is Vitruvian Partners LLP, a company incorporated in the United Kingdom.

### 28 Events after the balance sheet date

On 10 July 2017, the group acquired the entire issued share capital of Aimeria Limited, registered in England and Wales. Initial consideration was £2,628,000, with a further payment of £1,752,000 anticipated to be made by the end of 2017. There have been no other significant events since the year end.

# **Etihad Topco Limited**

## **Independent auditors' report to the members of Etihad Topco Limited**

### **Report on the company financial statements**

#### **Our opinion**

In our opinion, Etihad Topco Limited's company financial statements (the 'financial statements'):

- give a true and fair view of the state of the company's affairs as at 30 April 2017;
- 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.

#### **What we have audited**

The financial statements, included within the Annual Report and financial statements (the 'Annual report'), comprise:

- the Company balance sheet as at 30 April 2017;
- the Company statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### **Opinion on other matter 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic report and the Directors' report. We have nothing to report in this respect.

#### **Other matters on which we are required to report by exception**

##### ***Adequacy of accounting records and information and explanations received***

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

##### ***Directors' remuneration***

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# **Etihad Topco Limited**

## **Independent auditors' report to the members of Etihad Topco Limited (continued)**

### **Responsibilities for the financial statements and the audit**

#### ***Our responsibilities and those of the directors***

As explained more fully in the Statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

#### ***What an audit of financial statements involves***

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

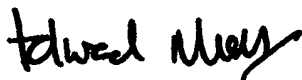
We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic report and Directors' report, we consider whether those reports include the disclosures required by applicable legal requirements.

#### **Other matter**

We have reported separately on the group financial statements of Etihad Topco Limited for the year ended 30 April 2017.



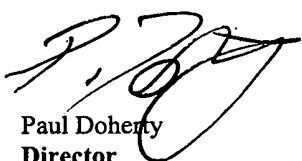
Edward Moss (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
26 July 2017

# Etihad Topco Limited

## Company balance sheet as at 30 April 2017

|                                                             | Note | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|-------------------------------------------------------------|------|---------------------------|---------------------------|
| <b>Fixed assets</b>                                         |      |                           |                           |
| Investments                                                 | 4    | 1,038                     | 1,038                     |
| <b>Current assets</b>                                       |      |                           |                           |
| Debtors                                                     | 5    | 92,136                    | 70,558                    |
| Cash and cash equivalents                                   |      | -                         | 100                       |
|                                                             |      | 92,136                    | 70,658                    |
| <b>Creditors: amounts falling due within one year</b>       | 6    | (91,332)                  | (69,754)                  |
| <b>Net current assets</b>                                   |      | 804                       | 904                       |
| <b>Total assets less current liabilities and net assets</b> |      | 1,842                     | 1,942                     |
| <b>Capital and reserves</b>                                 |      |                           |                           |
| Called up share capital                                     | 7    | 10                        | 10                        |
| Share premium                                               |      | 1,252                     | 1,252                     |
| Profit and loss account brought forward                     |      | 680                       | (65)                      |
| Profit for the year                                         |      | 21,609                    | 70,484                    |
| Transactions with shareholders                              |      | (21,709)                  | (69,739)                  |
| Profit and loss account carried forward                     |      | 580                       | 680                       |
| <b>Total shareholders' funds</b>                            |      | 1,842                     | 1,942                     |

The company financial statements and notes of Etihad Topco Limited on pages 40 to 46 were approved by the board of directors and authorised for issue on 26 July 2017. They were signed on its behalf by:



Paul Doherty  
Director

Company Registered number 07479219

## Etihad Topco Limited

### Company statement of changes in equity

|                                                | Note | Called up<br>share<br>capital<br>£'000 | Share<br>premium<br>£'000 | Profit<br>and loss<br>account<br>£'000 | Total<br>shareholders'<br>funds<br>£'000 |
|------------------------------------------------|------|----------------------------------------|---------------------------|----------------------------------------|------------------------------------------|
| At 1 May 2015                                  |      | 10                                     | 1,021                     | (65)                                   | 966                                      |
| Profit for the year                            |      | -                                      | -                         | 70,484                                 | 70,484                                   |
| <b>Total comprehensive income for the year</b> |      | <b>-</b>                               | <b>-</b>                  | <b>70,484</b>                          | <b>70,484</b>                            |
| Waiver of loan owed to subsidiary undertaking  |      | -                                      | -                         | 97                                     | 97                                       |
| Issue of share capital                         | 7    | -                                      | 231                       | -                                      | 231                                      |
| Dividends                                      | 8    | -                                      | -                         | (69,836)                               | (69,836)                                 |
| <b>At 30 April 2016</b>                        |      | <b>10</b>                              | <b>1,252</b>              | <b>680</b>                             | <b>1,942</b>                             |
| Profit for the year                            |      | -                                      | -                         | 21,609                                 | 21,609                                   |
| <b>Total comprehensive income for the year</b> |      | <b>-</b>                               | <b>-</b>                  | <b>21,609</b>                          | <b>21,609</b>                            |
| Dividends                                      |      |                                        | -                         | (21,709)                               | (21,709)                                 |
| <b>At 30 April 2017</b>                        |      | <b>10</b>                              | <b>1,252</b>              | <b>580</b>                             | <b>1,842</b>                             |

# **Etihad Topco Limited**

## **Notes to the company financial statements for the year ended 30 April 2017**

### **1 Accounting policies**

#### **Basis of accounting**

The financial statements are prepared under the historic cost convention, and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland, and the Companies Act 2006. The presentational and functional currency of the company is Sterling, and all figures presented in these financial statements have been rounded to the nearest thousand pounds. The principal accounting policies applied in the preparation of these financial statements are set out below; these policies have been consistently applied to all the years presented, unless otherwise stated.

The company satisfies the criteria of being a qualifying entity as defined in FRS 102. Its financial statements are consolidated into the group financial Statements of Etihad Topco Limited, which are included within this Annual Report. The shareholders of the Company were notified of the exemptions to be taken and the shareholders have not objected to the use of the exemptions taken. The company has taken advantage of the exemption in section 408 of the Companies Act from disclosing its individual profit and loss account.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

#### **Financial reporting standard 102 – reduced disclosure exemptions**

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland':

- The requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- The requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- The requirements of Section 7 Statement of Cash Flows;
- The requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- The requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29;
- The requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23; and
- The requirements of Section 33 Related Party Disclosures paragraph 33.7.

#### **Valuation of investments in subsidiaries**

Investments in subsidiaries are measured at cost less accumulated impairment.

#### **Impairment**

Investments are tested for impairment whenever there is an indication that an asset may be impaired. An impairment loss is recognised in the statement of total comprehensive income if the recoverable amount, being the higher of fair value less costs to sell and value in use, of an asset or cash generating unit falls below its carrying value in the balance sheet. Such impairment losses may be reversed in subsequent periods if there is an indication that the impairment loss recognised in prior years may no longer exist or may have decreased.

#### **Cash and cash equivalents**

Cash and cash equivalents is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

#### **Financial instruments**

The company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

# **Etihad Topco Limited**

## **Notes to the company financial statements for the year ended 30 April 2017 (continued)**

### **1 Accounting policies (continued)**

#### **Financial instruments (continued)**

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including trade and other creditors and amounts owed to fellow group companies that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

#### **Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

#### **Current taxation**

The tax expense for the year comprises current tax. Tax is recognised in the income statement, except that a charge attributable to an item of income and 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 at the reporting date.

#### **Going concern**

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' report, which also describes the financial position of the group, its financial risk management objectives, and its exposure to credit risk and liquidity risk.

The company meets its day to day working capital requirements through cash generated from operating activities, there is no overdraft facility. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should continue to be able to operate using cash generated from operations, and that no additional borrowing facilities will be required.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future, thus they adopt the going concern basis of accounting in preparing the annual financial statements.

### **2 Operating profit**

Auditors' remuneration of £1,000 for the year (2016: £1,000) has been borne by a subsidiary undertaking.

### **3 Particulars of employees and directors**

The company has no employees other than the directors (2016: none). No director received any emoluments for services to the company (2016: none). No retirement benefits accrue to the directors under defined benefit schemes (2016: none). Defined contribution pension benefits accruing to the directors have been borne by a subsidiary undertaking for both the current and preceding financial year.

# Etihad Topco Limited

## Notes to the company financial statements for the year ended 30 April 2017 (continued)

### 4 Fixed asset investments in subsidiary undertakings

| Cost                            | £'000 |
|---------------------------------|-------|
| At 1 May 2016 and 30 April 2017 | 1,038 |

The company owns the entire issued share capital of Etihad Midco Limited, a company incorporated in England and Wales, which is a holding company for subsidiaries engaged in the provision of communication, utility and insurance services to the SME market in the UK. The total cost of investment at 1 May 2016 and 30 April 2017 was £1,037,758. The directors believe that the carrying value of the investment is supported by its underlying net assets.

The company has indirect investments in the following subsidiary undertakings, all of which are incorporated in the United Kingdom:

| Name                            | Principal activity           | Holding                          | %   |
|---------------------------------|------------------------------|----------------------------------|-----|
| Titan Telecom Limited           | Intermediate holding company | Ordinary shares                  | 100 |
| Etihad Acquisitions Limited     | Intermediate holding company | Ordinary shares                  | 100 |
| Verastar Holdings Limited       | Intermediate holding company | Ordinary shares                  | 100 |
| Verastar Limited                | Telecommunication services   | Ordinary A and Ordinary B shares | 100 |
| Clear Business Limited          | Telecommunication services   | Ordinary shares                  | 100 |
| 118777 Limited                  | Directory enquiry services   | Ordinary shares                  | 100 |
| Clear Business Water Limited    | Water and sewerage services  | Ordinary shares                  | 100 |
| Economy Gas Limited             | Gas supplier                 | Ordinary shares                  | 100 |
| Sinq Power Limited              | Electricity supplier         | Ordinary shares                  | 100 |
| Business Comms Solution Limited | Telecommunication services   | Ordinary shares                  | 100 |
| TBO Holdings Limited            | Intermediate holding company | Ordinary shares                  | 100 |
| TBO Services Limited            | Insurance services           | Ordinary shares                  | 100 |
| TDO Holdings Limited            | Intermediate holding company | Ordinary shares                  | 100 |
| The Data Octopus Limited        | Data and media services      | Ordinary shares                  | 100 |
| Overture Acquisitions Limited   | Dormant                      | Ordinary shares                  | 100 |

The registered office of all subsidiary companies is Universal House, Longley Lane, Manchester, M22 4SY, with the exception of Verastar Limited, Verastar Holdings Limited, TBO Holdings Limited, TBO Services Limited, TDO Holdings Limited and The Data Octopus Limited, whose registered office is Longley House, Longley Lane, Manchester, M22 4SY.

### 5 Debtors

|                                             | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|---------------------------------------------|---------------------------|---------------------------|
| <b>Amounts falling due within one year:</b> |                           |                           |
| Amounts owed by group undertakings          | 92,136                    | 70,558                    |
|                                             | <b>92,136</b>             | <b>70,558</b>             |

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The directors believe that the book value of debtor balances is equal to fair value, and no provisions have been made against debtors (2016: none).

# Etihad Topco Limited

## Notes to the company financial statements for the year ended 30 April 2017 (continued)

### 6 Creditors: amounts falling due within one year

|                                    | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|------------------------------------|---------------------------|---------------------------|
| Amounts owed to group undertakings | 91,013                    | 69,506                    |
| Other creditors                    | 319                       | 248                       |
|                                    | <b>91,332</b>             | <b>69,754</b>             |

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The directors believe that the book value of creditor balances is equal to fair value.

### 7 Share capital

|                                                        | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|--------------------------------------------------------|---------------------------|---------------------------|
| <b>Authorised:</b>                                     |                           |                           |
| 901,809 (2016: 901,809) A ordinary shares of £0.01each | 9                         | 9                         |
| 61,750 (2016: 61,750) B ordinary shares of £0.01each   | 1                         | 1                         |
| 17,750 (2016: 17,750) C ordinary shares of £0.01each   | -                         | -                         |
| 15,500 (2016: 15,500) D ordinary shares of £0.01each   | -                         | -                         |
| 2,000 (2016: 2,000) E ordinary shares of £0.01each     | -                         | -                         |
| 3,000 (2016: 3,000) F ordinary shares of £0.01each     | -                         | -                         |
|                                                        | <b>10</b>                 | <b>10</b>                 |

|                                                        | 30 April<br>2017<br>£'000 | 30 April<br>2016<br>£'000 |
|--------------------------------------------------------|---------------------------|---------------------------|
| <b>Allotted, called up and fully paid:</b>             |                           |                           |
| 901,809 (2016: 901,809) A ordinary shares of £0.01each | 9                         | 9                         |
| 61,750 (2016: 61,750) B ordinary shares of £0.01each   | 1                         | 1                         |
| 17,750 (2016: 17,750) C ordinary shares of £0.01each   | -                         | -                         |
| 15,500 (2016: 15,500) D ordinary shares of £0.01each   | -                         | -                         |
| 2,000 (2016: 2,000) E ordinary shares of £0.01each     | -                         | -                         |
| 3,000 (2016: 3,000) F ordinary shares of £0.01each     | -                         | -                         |
|                                                        | <b>10</b>                 | <b>10</b>                 |

The A, B, C, D, E and F ordinary shares rank pari passu as regards entitlement to dividends, repayment of capital and voting rights.

# **Etihad Topco Limited**

## **Notes to the company financial statements for the year ended 30 April 2017 (continued)**

### **8 Dividends**

|                                                               | <b>Year ended<br/>30 April 2017<br/>£'000</b> | <b>Year ended<br/>30 April 2016<br/>£'000</b> |
|---------------------------------------------------------------|-----------------------------------------------|-----------------------------------------------|
| Interim dividend of £21.67 per share (2016: £43.40 per share) | <b>21,709</b>                                 | 43,265                                        |
| Interim dividend of £nil per share (2016: £26.60 per share)   | -                                             | 26,571                                        |
|                                                               | <b>21,709</b>                                 | 69,836                                        |

An interim dividend of £21.67 per share was proposed and paid in March 2017. In the previous year, interim dividends of £43.40 per share and £26.60 per share were proposed and paid in October 2015 and January 2016 respectively. No final dividends have been proposed (2016: none).

### **9 Contingent liabilities**

The company had no commitments or contingencies at 30 April 2017 (2016: none).

### **10 Parent undertakings and controlling party**

The immediate parent undertaking is Telco SARL, a company incorporated in Luxembourg. The ultimate parent undertaking and controlling party is Vitruvian Partners LLP, a company incorporated in the United Kingdom.

