

TORCH COMMUNICATIONS LIMITED

Annual Report and Financial Statements

for the year ended 31 March 2011

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TORCH COMMUNICATIONS LIMITED

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TORCH COMMUNICATIONS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTOR

P Simpson

COMPANY SECRETARY

K Smith

REGISTERED OFFICE

37 Carr Lane
Hull
HU1 3RE

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

TORCH COMMUNICATIONS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2011

The director presents the annual report and the audited financial statements of the company for the year ended 31 March 2011. This report has been presented in accordance with the special provisions relating to small companies within Section 415A of the Companies Act 2006.

PRINCIPAL ACTIVITY

The company used to provide supply, installation and maintenance services of customer premises telecommunications equipment. The company did not trade during the year and is not expected to trade in the future.

GOING CONCERN

The accounts are prepared on the basis that the Company is a going concern. The Company relies on the continued support from the Group and has received confirmation that the Group will continue to support the Company.

RESULTS AND DIVIDENDS

The company has made a profit of £22,513,000 (2010: £Nil). The directors recommend the payment of a dividend of £Nil (2010: £Nil).

REVIEW OF THE BUSINESS

During the year ended 31 March 2011, as part of the restructuring programme undertaken by KCOM Group PLC, the company's immediate parent undertaking, a non-current intercompany loan of £22,513,000 was waived by Kingston Communications (Data) Limited, a fellow subsidiary of KCOM Group PLC. The company will remain dormant henceforth.

DIRECTOR

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

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the director is required to:

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

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

TORCH COMMUNICATIONS LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 MARCH 2011

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting

By the order of the board



K Smith
Company Secretary

14 October 2011

TORCH COMMUNICATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TORCH COMMUNICATIONS LIMITED

We have audited the financial statements of Torch Communications Limited for the year ended 31 March 2011 which comprise the profit and loss account, the balance sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of director's responsibilities set out on page 2 the director is 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). 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.

Scope of the audit of the financial statements

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.

In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the director was not entitled to take advantage of the small companies' exemption in preparing the Director's report



Steve Demison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

14 October 2011

TORCH COMMUNICATIONS LIMITED

PROFIT AND LOSS ACCOUNT **For the year ended 31 March 2011**

| | Note | 2011 £'000 | 2010 £'000 |
|--|-------------|-----------------------|-----------------------|
| Waiver of long term intercompany creditor | 4 | 22,513 | - |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | | 22,513 | - |
| Tax on profit on ordinary activities | 2 | - | - |
| PROFIT FOR THE FINANCIAL YEAR | 6 | 22,513 | - |

The above results are all derived from continuing operations

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

TORCH COMMUNICATIONS LIMITED

BALANCE SHEET

31 March 2011

| | Note | 2011 £'000 | 2010 £'000 |
|--|------|-----------------|-----------------|
| CURRENT ASSETS | | | |
| Debtors amounts falling due after more than one year | 3 | 6,327 | 6,327 |
| NET CURRENT ASSETS | | <u>6,327</u> | <u>6,327</u> |
| CREDITORS: amounts falling due after more than one year | 4 | (28,841) | (51,354) |
| NET LIABILITIES | | <u>(22,514)</u> | <u>(45,027)</u> |
| CAPITAL AND RESERVES | | | |
| Called-up share capital | 5 | - | - |
| Profit and loss account | 6 | (22,514) | (45,027) |
| TOTAL SHAREHOLDERS' DEFICIT | 6 | <u>(22,514)</u> | <u>(45,027)</u> |

These financial statements on pages 5 to 9 were approved by the director on 14 October 2011



P Simpson
Director

Torch Communications Limited

Company Registration No. 3318088

TORCH COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

1. ACCOUNTING POLICIES

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

Basis of preparation

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Cashflow and related party disclosures

As at 31 March 2011, the company was a subsidiary undertaking where 100% of the voting rights were controlled within the KCOM Group PLC and was included in the consolidated financial statements of that group, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard 1. The company is also exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the KCOM Group PLC or investees of that group.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. TAX ON PROFIT ON ORDINARY ACTIVITIES

a) The tax charge comprises

| | 2011 £'000 | 2010 £'000 |
|--------------------------------------|---------------|---------------|
| Current tax | | |
| Tax on profit on ordinary activities | - | - |

b) The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

| | 2011 £'000 | 2010 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before tax | 22,513 | - |
| Tax on profit on ordinary activities at standard UK corporation tax rate of 28% (2010: 28%) | 6,304 | - |
| Effects of Non-taxable waiver | (6,304) | - |
| Current tax charge for period | - | - |

TORCH COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

3. DEBTORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2011 £'000 | 2010 £'000 |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 6,327 | 6,327 |

Amounts owed by group undertakings are unsecured. There are no formal arrangements for the repayment of amounts owed by group undertakings greater than one year. However, they have been confirmed as not due for repayment within one year. Interest at market rates is charged on amounts due to group undertakings due after more than one year, except for amounts owed by dormant entities where nil interest is charged.

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

| | 2011 £'000 | 2010 £'000 |
|-----------------------------------|---------------|---------------|
| Amounts due to group undertakings | 28,841 | 51,354 |

During the year ended 31 March 2011, as part of the restructuring programme undertaken by KCOM Group PLC, the company's immediate parent undertaking, a non-current intercompany loan of £22,513,000 was waived by Kingston Communications (Data) Limited, a fellow subsidiary of KCOM Group PLC.

Amounts owed to group undertakings are unsecured. There are no formal arrangements for the repayment of amounts owed by group undertakings greater than one year. However, they have been confirmed as not due for repayment within one year. Interest at market rates is charged on amounts due to group undertakings due after more than one year, except for amounts due to dormant entities where nil interest is charged.

5. CALLED UP SHARE CAPITAL

| | 2011 £ | 2010 £ |
|---|-----------|-----------|
| Authorised | | |
| 1,000 ordinary shares of £1 each | 1,000 | 1,000 |
| Allotted, called up and fully paid | | |
| 2 ordinary shares of £1 each | 2 | 2 |

6. RECONCILIATION OF MOVEMENTS IN TOTAL SHAREHOLDERS' DEFICIT AND MOVEMENTS IN RESERVES

| | Profit and loss account £'000 | Total Equity Shareholders' deficit £'000 |
|-------------------------------------|--|--|
| As at 1 April 2009 and 1 April 2010 | (45,027) | (45,027) |
| Profit for the financial year | 22,513 | 22,513 |
| As at 31 March 2011 | (22,514) | (22,514) |

TORCH COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2011

7 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

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

The parent undertaking of the only group of undertakings for which group financial statements are drawn up and of which the company is a member is KCOM Group PLC, registered in England and Wales. KCOM Group PLC is also the company's ultimate controlling party. Copies of KCOM Group PLC's financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE.