

**Company Registration No. 1827185**

**DIMENSION DATA ADVANCED  
INFRASTRUCTURE LIMITED**

**Annual Report and Financial  
Statements**

**For the year ended 30 September 2016**

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**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2016**

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**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2016**

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

D Sherriffs  
U Baden  
A Pike (Resigned 31 July 2016)  
G Mortimer (Appointed 20 November 2016)

**SECRETARY**

J M Duck

**REGISTERED OFFICE**

Dimension Data House  
Building 2  
Waterfront Business Park  
Fleet Road  
Fleet  
Hampshire  
GU51 3QT

**BANKERS**

HSBC Bank plc  
34 High Street  
Walton on Thames  
Surrey  
KT12 1DD

**AUDITOR**

KPMG LLP  
Chartered Accountants and Statutory Auditor  
8 Princes Parade  
Liverpool  
United Kingdom  
L3 1QH

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### STRATEGIC REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2016.

#### Principal activities

Dimension Data Advanced Infrastructure Limited (DDAI) is a specialist building controls systems integrator that helps large enterprises and main contractors to design, plan, build and support intelligent building infrastructures.

DDAI's team of multi-disciplinary, skilled professionals, work with technologies and processes that allow it to offer a full range of integrated services including network integration, structured cabling, IP-security, building management services and technology lifecycle support services.

#### Business model

DDAI creates value by providing a single point of contact for services, solutions and support, as well as delivering secure, flexible, customised infrastructures with the support and backing of world-class business partners and technology vendors.

DDAI understands the complexity of both the construction and IT industries and has built its business by clearly demonstrating that it can integrate them to deliver highly innovative, world-class, intelligent infrastructures by continually building on its knowledge and expertise in infrastructure technologies.

DDAI recognises the need to restructure its overhead base whilst concentrating on only profitable revenue streams. Hence the directors have decided to discontinue Mechanical and Electrical Services delivery.

#### Business review and results

As shown in the Company's Profit and Loss account on page 8, the Company's turnover has increased from £22,530,322 in 2015 to £29,847,512 in 2016 with an operating profit of £394,708 in 2015 and operating loss of £4,911,399 in 2016.

The loss on ordinary activities after taxation for the year of £5,009,747 (2015: profit of £338,479) has been deducted from reserves leaving shareholders' funds of £11,320 (2015: funds of £5,021,067) after dividends paid of £nil (2015: £nil).

The losses in the year were incurred due to substantial losses relating to Mechanical and Electrical Services delivery reducing profitability and causing a reduction in shareholders funds.

#### Key performance indicators

The directors continue to set KPIs to achieve their goal of profitable growth. These KPIs include:

- Profitable growth measured by gross and net margin;
- Continued improvement in client experience measured by client feedback;
- Investment internally including personnel development measured by value of investment spend and staff appraisal requirements; and
- Management of working capital measured by debtor and creditor days and return on capital.

#### Principal risks and uncertainties

##### Credit risks

The Company's credit risk is primarily attributable to its trade receivables and amounts receivable on contracts. The amounts presented in the balance sheet are net of allowances for doubtful receivables. Where a loss on an individual customer is identified the loss is fully provided for. The Company manages its credit risk through the use of credit insurance and careful management of credit limits and total credit exposure by the client.

##### Liquidity risk

The Company's liquidity has been managed by ensuring that the Company trades within its overdraft limit and by managing its working capital through financing, and supplier and customer relationships.

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### STRATEGIC REPORT (continued)

#### Going concern

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company's latest cash flow forecasts, which the directors consider have been prepared on a reasonable basis, indicate that the Company will require an increased level of borrowing facility which will be provided through the support of the Holding Company, Dimension Data Holdings Plc.

Dimension Data Holdings Plc has provided the Company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees up to a value of £15million. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

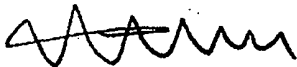
#### Future developments

Moving forward, the directors will continue to develop the Company's overall capability to deliver Intelligent Real Estate solutions. The directors see an ever increasing demand in this area due to the following reasons:

- The necessity to control energy costs;
- The user requirement for buildings to be more technologically advanced in order to suit occupiers growing demands;
- The increased requirement for a more secure environment; and
- The transition of analogue technologies to IP based technologies.

Going forward, the directors have decided to discontinue the Mechanical and Electrical Services which has incurred substantial losses in the year to concentrate on the more profitable Data Services which includes delivery of Intelligent Real Estate Solutions, which in the opinion of the directors will allow the Company to return to profitable growth.

Signed on behalf of the Board



Unkar Baden  
Director

Date 12/10/2017

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 30 September 2016.

### DIRECTORS

The directors who served throughout the year and to the date of this report are shown on page 1.

### AUDITOR

In the case of each of the persons who are directors of the Company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- each of the directors has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor IS aware of that information.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

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



Unkar Baden

Director

Date 12/10/2017

Registered Office:

Dimension Data House

Building 2

Waterfront Business Park

Fleet Road

Fleet

Hampshire

GU51 3QT

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.



**KPMG LLP**

8 Princes Parade  
Liverpool  
L3 1QH  
United Kingdom

**Independent auditor's report to the members of Dimension Data Advanced Infrastructure Limited**

We have audited the financial statements of Dimension Data Advanced Infrastructure Limited for the year ended 30 September 2016 set out on pages 8 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, 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). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**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 30 September 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.



**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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



**Will Baker (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
8 Princes Parade  
Liverpool L3 1QH

Date: 12 October 2017.

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**  
**Company Registration No. 1827185**

**PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME**  
**For the year ended 30 September 2016**

	Note	2016 £	2015 £
<b>TURNOVER</b>	1	29,847,512	22,530,322
Cost of sales		<u>(31,271,147)</u>	<u>(18,717,553)</u>
<b>GROSS (LOSS)/PROFIT</b>		(1,423,635)	3,812,769
Administrative expenses		<u>(3,487,764)</u>	<u>(3,418,061)</u>
<b>OPERATING (LOSS)/PROFIT</b>	2	(4,911,399)	394,708
Interest receivable and similar income		-	54
Interest payable and similar charges	4	<u>(98,348)</u>	<u>(56,283)</u>
<b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u>(5,009,747)</u>	338,479
Tax on profit on ordinary activities	5	-	-
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u><u>(5,009,747)</u></u>	<u><u>338,479</u></u>

The results for the current and prior year derive from continuing operations.

There are no other gains or losses for the current and prior year other than those presented in the Profit or Loss account above. Accordingly, no Statement of Other Comprehensive Income has been presented.

The notes on pages 11 to 21 form part of the financial statements.

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**  
**Company Registration No. 1827185**

**BALANCE SHEET**  
**As at 30 September 2016**

	Note	2016 £	2015 £
<b>FIXED ASSETS</b>			
Tangible assets	6	492,243	436,334
<b>CURRENT ASSETS</b>			
Stock	7	1,309,845	1,212,602
Debtors	8	12,841,354	12,457,850
Cash at bank and in hand		209	724
		<u>14,151,408</u>	<u>13,671,176</u>
<b>CREDITORS: amounts falling due within one year</b>	10	<u>(13,868,279)</u>	<u>(8,907,928)</u>
<b>NET CURRENT ASSETS</b>		283,129	4,763,248
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		775,372	5,199,582
<b>CREDITORS: amounts due after one year</b>	11	(704,052)	(118,515)
<b>PROVISIONS FOR LIABILITIES</b>			
Other provisions	14	(60,000)	(60,000)
<b>NET ASSETS</b>		<u>11,320</u>	<u>5,021,067</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	100,000	100,000
Profit and loss account		(88,680)	4,921,067
<b>SHAREHOLDERS' FUNDS</b>		<u>11,320</u>	<u>5,021,067</u>

The notes on pages 11 to 21 form part of the financial statements.

These financial statements were approved by the Board of Directors on 12/10/2017 and were signed on its behalf by:



**Unkar Baden**  
*Director*

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**  
**Company Registration No. 1827185**

**STATEMENT OF CHANGES IN EQUITY**  
**As at 30 September 2016**

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 October 2014	100,000	4,582,588	4,682,588
<b>Total comprehensive income for the year</b>			
Profit		338,479	338,479
<b>Balance at 30 September 2015</b>	<u>100,000</u>	<u>4,921,067</u>	<u>5,021,067</u>

	Called up Share capital £	Profit and loss account £	Total equity £
Balance at 1 October 2015	100,000	4,921,067	5,021,067
<b>Total comprehensive income for the year</b>			
Loss	-	(5,009,747)	(5,009,747)
<b>Balance at 30 September 2016</b>	<u>100,000</u>	<u>(88,680)</u>	<u>11,320</u>

# DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 September 2016

### 1. ACCOUNTING POLICIES

#### **Basis of preparation**

Dimension Data Advanced Infrastructure Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102")* as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

The Company's ultimate parent undertaking, Nippon Telegraph and Telephone Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of Nippon Telegraph and Telephone Corporation are prepared in accordance with International Financial Reporting Standards as adopted by the EU and are available to the public and may be obtained from 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8116, Japan. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The company has taken no FRS 102 first-time adoption exemptions.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **Going concern**

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The Company's latest cash flow forecasts, which the directors consider have been prepared on a reasonable basis, indicate that the Company will require an increased level of borrowing facility which will be provided through the support of the Holding Company, Dimension Data Holdings Plc.

Dimension Data Holdings Plc has provided the Company with an undertaking that, for at least 12 months from the date of approval of these financial statements, it will continue to make available such funds and guarantees up to a value of £15million. This should enable the Company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

#### **Measurement convention**

The financial statements are prepared on the historical cost basis.

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2016

#### 1. ACCOUNTING POLICIES *(continued)*

##### **Basic Financial Instruments**

###### *Trade and other debtors / creditors*

Trade and other debtors are recognised initially at transaction price plus attributable transaction costs. Trade and other creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

##### **Other financial instruments**

###### *Derivative financial instruments and hedging*

Derivative financial instruments are recognised at fair value. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.

##### **Turnover**

Turnover, all arising in the United Kingdom, represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Profit is recognised on long-term contracts, if the final outcome can be assessed with reasonable certainty, by including in the Profit and Loss account turnover and related costs as contract activity progresses. Turnover is calculated by reference to the value of work performed to date as a proportion of the total contract value.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

The Company assesses at each reporting date whether tangible fixed assets.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Land is not depreciated. The estimated useful lives are as follows:

Leasehold property and improvements	-	5% - 10% straight line
Plant, machinery, fixtures and equipment	-	10% - 33% straight line

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the Company expects to consume an asset's future economic benefits.

##### **Stock and work in progress**

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Provision is made for obsolete or defective items where appropriate. Cumulative costs incurred on long term contracts, net of amounts transferred to cost of sales, are included as long-term contract balances in stock.

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2016

#### 1. ACCOUNTING POLICIES *(continued)*

##### **Amounts recoverable on contracts debtors**

Amounts recoverable on contracts debtors represent the gross unbilled amount for contract work performed to date. They are measured at cost plus profit recognised to date less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Claims are included in contract revenue only when they are reliably measurable and negotiations have reached an advanced stage such that it is probable that the customer will accept the claim. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

##### **Impairment excluding stocks and deferred tax assets**

###### *Financial assets (including trade and other debtors)*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

##### **Taxation**

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS Year ended 30 September 2016

#### 1. ACCOUNTING POLICIES *(continued)*

##### **Taxation** *(continued)*

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered in the foreseeable future. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

##### **Research and Development**

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

##### **Provisions**

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the parent Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability in its individual financial statements until such time as it becomes probable that the company will be required to make a payment under the guarantee.

##### **Expenses**

###### *Operating lease*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

###### *Interest receivable and interest payable*

Interest payable and similar charges include interest payable, unwinding of the discount on provisions.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.



## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### NOTES TO FINANCIAL STATEMENTS (continued) Year ended 30 September 2016

#### 1. ACCOUNTING POLICIES (continued)

##### Leases

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred

##### Employee benefits

##### Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

#### 2. EXPENSES AND AUDITOR'S REMUNERATION

Included in profit/loss are the following:

	2016 £	2015 £
Depreciation	172,147	121,125
Research and development costs expensed as incurred	1,371,485	1,561,430
Rentals under operating leases		
Land and buildings	214,432	211,107
	<u>214,432</u>	<u>211,107</u>

The analysis of auditor remuneration is as follows:

	2016 £	2015 £
Audit of these financial statements	46,500	38,500
	<u>46,500</u>	<u>38,500</u>

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2016**

**3. EMPLOYEES**

Staff costs (including director's emoluments):

	2016	2015
	£	£
Salaries and wages	4,998,143	4,648,305
Social security costs	539,951	507,607
Pension contributions	130,600	106,693
	<u>5,668,694</u>	<u>5,262,605</u>
	Number	Number
Average number employed:		
Production	73	69
Sales and Administration	36	36
	<u>109</u>	<u>105</u>

Director's emoluments and emoluments of highest paid director:

	2016	2015
	£	£
Director's emoluments		
Other emoluments	162,609	155,785
Pension contributions	-	-
	<u>162,609</u>	<u>155,785</u>

The other directors were remunerated by other companies within the group and were not recharged. This is because a fair apportionment is not possible as services are provided to multiple entities. Nil contributions were made to the Dimension Data group money purchase pension scheme for the directors (2015: £nil).

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	2016	2015
	£	£
Bank loans and overdrafts	98,348	56,283
	<u>98,348</u>	<u>56,283</u>

**5. TAXATION**

	2016	2015
	£	£
Current taxation		
United Kingdom corporation tax on profit for the year	-	-
	<u>-</u>	<u>-</u>
Total current taxation	-	-
	<u>-</u>	<u>-</u>

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2016**

**5. TAXATION (continued)**

Reconciliation of effective tax rate	2016 £	2015 £
(Loss)/Profit for the year	(5,009,747)	338,479
Total tax expense	-	-
(Loss)/Profit excluding taxation	(5,009,747)	338,479
Tax using the UK corporation tax rate of 20% (2015: 20.5%)	(1,001,949)	69,388
Effects of:		
Expenses not deductible for tax purposes	4,636	5,242
Depreciation in excess of capital allowances	34,429	24,894
Tax losses carried forward/(utilised)	962,884	(99,524)
Total tax charge	-	-

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016.

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2016**

**6. TANGIBLE FIXED ASSETS**

	Leasehold property and improvements £	Plant, machinery, fixtures and equipment £	Total £
<b>Cost</b>			
At 1 October 2015	824,589	428,367	1,252,956
Additions	21,000	207,056	228,056
	<u>845,589</u>	<u>635,423</u>	<u>1,481,012</u>
At 30 September 2016			
<b>Depreciation</b>			
At 1 October 2015	570,000	246,622	816,622
Charge for year	94,686	77,461	172,147
	<u>664,686</u>	<u>324,083</u>	<u>988,769</u>
At 30 September 2016			
<b>Net book value</b>			
At 30 September 2016	<u>180,903</u>	<u>311,340</u>	<u>492,243</u>
At 30 September 2015	<u>254,589</u>	<u>181,745</u>	<u>436,334</u>

**7. STOCKS**

	2016 £	2015 £
Raw materials and consumables	384,835	300,524
Long term contract balances	925,100	912,078
	<u>1,309,935</u>	<u>1,212,602</u>

There is no material difference between the balance sheet values of stocks and their replacement cost.

**8. DEBTORS**

	2016 £	2015 £
<b>Due within one year:</b>		
Trade debtors	2,162,697	3,983,636
Amounts owed by group undertakings	118,094	336,960
Prepayments and accrued income	676,654	693,852
Amounts recoverable on contracts	9,883,909	7,443,402
	<u>12,841,354</u>	<u>12,457,850</u>

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2016**

**9. DEFERRED TAX**

A deferred tax asset relating to accelerated capital allowances and tax losses has not been recognised as there is insufficient evidence that the asset will be recovered in the foreseeable future. The amount of the asset not recognised is £2,318,445 (2015: £1,315,453). The asset would be recognised as recoverable if there was greater certainty about the profitability of the Company in the foreseeable future.

**10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2016 £	2015 £
Trade creditors	3,178,622	2,685,069
Overdraft	4,072,895	1,380,795
Other loans	588,184	80,575
Amounts owed to group undertakings	2,249,696	657,722
Other creditors including taxation and social security	732,758	1,133,251
Accruals and deferred income	3,046,124	2,970,516
	<b>13,868,279</b>	<b>8,907,928</b>

**11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	2016 £	2015 £
Other loans	704,052	118,515

Borrowings are repayable as follows:

	2016 £	2015 £
<b>Other loans</b>		
Within one year	588,184	80,575
Between one and two years	422,545	66,484
Between two and five years	281,507	52,031
	<b>1,292,236</b>	<b>199,090</b>

**DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED**

**NOTES TO FINANCIAL STATEMENTS (continued)**  
**Year ended 30 September 2016**

**11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR (CONTINUED)**

	Interest rate	Currency	Repayment type	Year of Maturity
Other loan 1	13%	GBP	Monthly	April 2017
Other loan 2	13%	GBP	Monthly	April 2017
Other loan 3	0%	GBP	Quarterly	November 2017
Other loan 4	0%	GBP	Quarterly	February 2018
Other loan 5	0%	USD	Quarterly	May 2018
Other loan 6	0%	GBP	Monthly	August 2018
Other loan 7	0%	GBP	Quarterly	October 2018
Other loan 8	0%	GBP	Monthly	December 2018
Other loan 9	0%	USD	Quarterly	May 2019
Other loan 10	0%	USD	Quarterly	May 2019
Other loan 11	0%	USD	Quarterly	November 2019

The Directors have considered the fair value of the other loans at 0% interest rate. They do not consider there to be a material difference between the carrying amount and the fair value of these loans.

**12. OPERATING LEASES**

Non-cancellable operating lease rentals are payable as follows:

	Land & Buildings	
	2016	2015
	£	£
Between one and five years	368,790	491,720
	<u>368,790</u>	<u>491,720</u>

**13. CALLED-UP SHARE CAPITAL**

	2016	2015
	£	£
<b>Allotted, called-up and fully paid</b>		
83,000 ordinary shares of £1 each	83,000	83,000
17,000 'A' ordinary shares of £1 each	17,000	17,000
	<u>100,000</u>	<u>100,000</u>

The ordinary shares and 'A' ordinary shares rank pari passu in all respects except that the special dividends may be paid to the holders of each class of shares separately and the holders of the 'A' ordinary shares have the right to appoint and remove one director of the company.

**14. PROVISIONS FOR LIABILITIES**

	£
At 30 September 2015 and 30 September 2016	60,000
	<u>60,000</u>

The provision relates to expected dilapidations costs arising on expiry of a current lease in 2019.

## DIMENSION DATA ADVANCED INFRASTRUCTURE LIMITED

### NOTES TO FINANCIAL STATEMENTS (continued) Year ended 30 September 2016

#### 15. RELATED PARTY TRANSACTIONS

During the year the Company made the following related party transactions: purchased services for £3,818,052 (2015: £1,278,773) from and sold services for £1,423,569 (2015: £2,299,288) to Dimension Data Network Services Limited, purchased services for Dimension Data Italy for £5,573 (2015: £114,830); sold services for £3,083 to Dimension Data Singapore (2015: £4,722); and sold services for £nil to Dimension Data Communications (2015: £24,001), all fellow group companies, in the normal course of business. The net balance outstanding at 30 September 2016 was a creditor of £2,100,072 (2015: £215,510) owed to Dimension Data Network Services; a creditor of £nil (2015: £114,830) owed to Dimension Data Italy and a debtor balance owed of £2,656 (2015: £754) by Dimension Data Singapore. The Company was recharged expenses of £38,359 (2015: £5,577) by Dimension Data Holdings Plc with a creditor balance outstanding at 30 September 2016 of £34,186 (2015: £Nil).

#### 16. CONTROLLING PARTY

The company's ultimate holding company and ultimate controlling party at 30 September 2016 was Nippon Telegraph and Telephone Corporation ('NTT'), a company registered in Japan.

The immediate parent undertaking is G.K. Communications Group Limited, a company registered in England and Wales.

The largest group in which the results of the Company are consolidated is that headed by Nippon Telegraph and Telephone Corporation ('NTT'), incorporated in Japan. The smallest group in which they are consolidated is that headed by Dimension Data Holdings PLC, incorporated in England. The consolidated financial statements of these groups are available to the public and may be obtained from 3-1, Otemachi 2-chome, Chiyoda-ku, Tokyo 100-8116, Japan.