Merchants Limited

Director's report and financial statements

Registered number 2666837

31 March 2018

Contents

Directors and advisors

Directors

JM Duck
G Mortimer – appointed 2 December 2016

Secretary

JM Duck – appointed 25 November 2016

Registered office

500 Avebury Boulevard
Milton Keynes
MK9 2BE

Bankers

HSBC Bank plc
32-34 High Street
Walton on Thames
KT12 1DD

Auditors

KPMG LLP
Altius House
1 North Fourth Street
Milton Keynes
MK9 1NE

Strategic report

Principal activities

The Company's principal activities are in the Contact Centre Consultancy and Technology delivery space. Providing a combination of fully or partly hosted Contact Centre Technologies, with an IT Outsourcing wrap. Merchants Ltd is still going through a period of transition from being an in house IT Services organisation and extending contracts through joint ventures, to that of a subsidiary fully aligned with the Global Dimension Data Strategy and we are looking to further integrate ourselves with our parent Company.

Business performance indicators

The Company focusses on key lines of business, including:

- Communications
    - Consultancy
    - Technology Delivery
- Managed Services

The Board uses various financial measures to assess the financial position and overall performance of its business. These include revenue and gross profit growth, gross margin, operation profit growth, operating margin, fixed and variable overhead costs, as well as trade receivables days to determine the effectiveness of working capital management. Non-financial performance indicators are also reviewed, including client and employee satisfaction surveys, productivity ratios and employee attrition and retention statistics.

Business review

The directors are satisfied that the financial statements give a fair review of the business of the Company for the financial period and of its position as at 31 March 2018.

As shown in the Company's profit and loss account on page 8, the Company's sales of £2.9 million have declined by 58% against the prior year with the completion of one major contract. Gross Profit improved as a result of the completion of this contract (Serco) as being a loss making contract. Profit for the year was £0.9 million (2016: loss of £11.1 million). The remaining contract with Virgin Money, which currently runs to April 2020, is deemed to be onerous for which has been provided for in the accounts.

The Company's financial position at the year-end is shown on the balance sheet on page 9.

Future developments

We are continuing to integrate and align ourselves with Dimension Data as we believe this will truly allow the business to grow, in customer base, revenue and organisational standing.

The board seeks to grow in alignment with the Dimension Data Holdings Plc key business focus areas, as part of the Communications Business Unit the board anticipate increased traction going forward.

As the Company has one remaining contract, which currently runs to April 2020, the directors continue to consider options for the Company going forward.

Financial risk management objectives and policies

The Company's activities expose it to a number of financial risks including credit risk, supplier risk, currency risk, liquidity risk and other risk considerations.

Strategic report (continued)

Credit risk

The Company's principal financial assets are cash and bank balances, trade and other debtors. The Company's credit risk is primarily attributable to its trade debtors. The amounts presented on the balance sheet are net of allowances for doubtful debt. The Company has no significant concentration of credit risk, with exposure spread of a number of counterparties and customers. As a subsidiary of Dimension Data, the Company has also support in variable credit facilities available on group level.

Supplier risk

The Company has close and mutually beneficial partnerships with leading technology vendors. Termination of a supply of service agreement or a significant change in vendor terms or conditions of sale could negatively impact operating margins. This risk is managed by proactively maintaining sustainable terms of trade with technology partners and ensuring appropriate back-to-back commercial terms are in place with clients on a transactional basis.

Currency risk

The Company's sales and purchases are sometimes made in US dollars, Australian dollars and Euros and it is therefore exposed to the movement in the exchange rate. Due to the relatively low transaction amounts the risk of exposure is managed by natural hedging through our GBP current account.

Other risks

As we are a player in the CCaaS "Contact Centre as a Service" market, we have signed up some contracts that offer customer flexibility to pay as you use. This in itself has some risks and one of these contracts has not materialised to be as profitable as we first thought. This could have a major impact moving forward.

Professional liability for failure to execute and deliver in accordance with client expectations may increase the risk of litigation. The Company manages this risk by monitoring processes that ensure quality in delivery and project management. The Company also carries general liability insurance coverage.

Failure to retain and recruit key personnel could harm the Company's ability to meet key objectives. The Company has implemented structured induction, career development, reward and recognition programmes.

The directors' continue to monitor developments in relation to Brexit. Brexit is not anticipated to have a significant impact on the Company.

By order of the board

G Mortimer
Director

500 Avebury Boulevard
Milton Keynes
MK9 2BE

Directors' report

The directors' present their report together with the audited financial statements for the 18 month period ended 31 March 2018 (prior period 12 months ended 30 September 2016).

Principal activities

Merchants Limited is a private limited Company incorporated in England & Wales, registered number 2666837. The principal activity of the Company is the provision of managed services.

Results for the year

The profit and loss account for the year is set out on page 8.

Charitable and Political Donations

The Company made no charitable or political donations during the year (2017: £nil).

Dividends

The directors did not recommend the payment of a dividend (2017: £nil).

Directors

JM Duck served through the period and G Mortimer served from 2 December 2016.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and the directors have taken all the steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditors

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

By order of the board

G Mortimer
Director

500 Avebury Boulevard
Milton Keynes
MK9 BE

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCHANTS LIMITED

Opinion

We have audited the financial statements of Merchants Limited ("the company") for the period ended 31 March 2018 which comprise the Profit and Loss, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements which indicates that the Company is dependent on ongoing support from other group companies and that it has one ongoing contract which currently runs to April 2020. These events and conditions, along with the other matters explained in note 1, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Brexit other matter paragraph

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of trade debtors and related disclosures, and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MERCHANTS LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.

D Simpson

David Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
58 Clarendon Road,
Watford,
WD17 1DE

29 March 2019

Profit and loss account
for the period ended 31 March 2018

	Note	18 Month period ended March 2018 £000	Year ended September 2016 £000
Turnover	2	**2,941**	7,003
Cost of sales		**(2,555)**	(9,397)
Gross profit / (loss)		**386**	(2,394)
Operating income / (expenses)	5	**679**	(8,534)
Operating profit / (loss)	3-6	**1,065**	(10,928)
Finance charges		**(196)**	(137)
Profit / (loss) on ordinary activities before taxation		**869**	(11,065)
Tax on loss on ordinary activities	7	**-**	-
Loss for the financial period / year	13	**869**	(11,065)
Other comprehensive income for the period / year, net of tax		**-**	-
Total comprehensive income for the period / year		**869**	(11,065)

All of the Company's activities arose from continuing operations.

The Company has no recognised gains or losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented.

Notes on pages 11 to 20 form part of the financial statements.

Balance sheet
at 31 March 2018

	Note	**31 March 2018 £000**	**31 March 2018 £000**	30 September 2016 £000	30 September 2016 £000
Fixed assets					
Tangible assets	*8*		**117**		204
Current assets					
Debtors	*9*	**1,231**		3,535	
Cash at bank and in hand		**2**		39	
		1,233		3,574	
Creditors: amounts falling due within one year	*10*	**(24,984)**		(28,281)	
Net current liabilities			**(23,751)**		(24,707)
Total assets less current liabilities			**(23,634)**		(24,503)
Net liabilities			**(23,634)**		(24,503)
Capital and reserves					
Called up share capital	*12*		**10**		10
Profit and loss account	*13*		**(23,644)**		(24,513)
Shareholders' deficit	*14*		**(24,634)**		(24,503)

The financial statements of Merchants Limited were approved by the board of directors on

and were signed on its behalf by:

G Mortimer
Director

Company registered number: 2666837

Notes on pages 11 to 20 form part of the financial statements.

Statement of Changes in Equity

For the period ended 31 March 2018

	Called up Share capital	Profit and loss account	Total equity
	£000	£000	£000
Balance at 1 October 2015	10	(13,448)	(13,438)
Total comprehensive income for the period			
Profit or loss	-	(11,065)	(11,065)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(11,065)	(11,065)
Total at 30 September 2016	10	(24,513)	(24,503)
Balance at 1 October 2016	10	(24,513)	(24,503)
Total comprehensive income for the period			
Profit or loss	-	869	869
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	869	869
Balance at 31 March 2018	**10**	**(23,644)**	**(23,634)**

Notes on pages 11 to 20 form part of the financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

Merchants Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below:

Basis of preparation

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. All amounts in the financial statements have been rounded to the nearest £1,000.

The Company's parent undertaking includes the Company in its consolidated financial statements. The consolidated financial statements of the Company's undertaking are available to the public. 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.

As the consolidated financial statements of the parent undertaking include the disclosures equivalent to those required by FRS 102 the Company has also taken the exemptions available in respect of the following disclosures:

- Certain disclosures required by FRS102.11 Basic Financial Instruments and FRS102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

Going concern

The financial statements are prepared on a going concern basis which the directors believe to be appropriate for the following reasons.

The Company is continuing to align itself with the global Dimension Data strategy. As part of that integration process the Company is dependent upon both financial support from other Group companies and upon some of the contracts won by the Group being allocated to this Company.

The Company has one ongoing contract which currently runs to April 2020, discussions are ongoing regarding the potential extension of that contract, at improved rates compared to the existing contract. The current contract is considered onerous and unavoidable future losses have been provided for in the financial statements. If the contract was not extended or renewed then a period of decommissioning would follow the end of the contract. As of the date that the financial statements have been approved, no additional contracts have been won which have been allocated to this Company. However, the Group continues to tender for and win new contracts and in future some may be allocated to this Company.

For the reasons set out above, and the fact that the Company has accumulated losses, net current liabilities and is in a net liabilities position, the Company are reliant upon financial support from other Group companies in the form of: provision of additional ongoing financial support to meet costs and obligations; group companies not recalling amounts due to the group, which at the balance sheet date amounted to £15.0m and are repayable on demand; and support of other group companies to maintain availability of, guarantee, and if necessary settle, the overdraft balance.

Notes *(continued)*

The directors consider the Company has adequate resources to enable it to continue to trade for the foreseeable future. In arriving at this conclusion, the directors have taken into account that the Company's intermediate parent company, Dimension Data Holdings Plc, has indicated its intentions in the areas set out below. These indications, which is for a period of 18 months, are such that the directors expect to cover the Company to the end of the remaining contract and any significant decommissioning following the end of the contract. Dimension Data Plc has indicated that it will not require group companies to seek repayment of amounts owed to group undertakings of £15.0 million and that those fellow group companies have indicated that they do not intend to seek repayment. Dimension Data Plc has also indicated that it will provide an additional capped amount of financial support, which the Directors consider is sufficient funds, to meet liabilities as they fall due, over that 18 month period. The letter also confirms that the Dimension Data Grouped Accounts Multi-Currency Net Overdraft Facility, of which Merchants Limited is a member, and against which Merchants Limited had an overdraft of £7.3 million at 31 March 2018, is guaranteed by other members of the Facility, and is expected to remain in place for 18 months from approval of these financial statements.

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 during the duration of the current contract.

Following the ending of the existing contract, there is no certainty that replacement contracts will be allocated to this Company, however, the directors continue to consider options for the Company going forward.

Based on the above, the directors believe it remains appropriate to prepare the financial statements on a going concern basis. However, these circumstances represent a material uncertainty that may cast significant doubt upon the company's ability to continue as a going concern and, therefore to continue realising its assets and discharging its liabilities in the normal course of business. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Classification of financial instruments issued by the Company

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and

(b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Notes *(continued)*

Turnover

Turnover on contracts is recognised according to the stage reached in the contract by reference to the value of work done. No profit is recognised until the contract has advanced to a stage where total profit can be assessed with reasonable certainty. The amount by which the turnover differs from payments on account is shown under debtors as accrued income or under creditors as appropriate.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental costs of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight-line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Leasehold property improvements	The period of the lease
Fixtures and fittings	10% per annum
Office equipment	10% per annum
Computer equipment	20% to 33.33% per annum
Telephone equipment	20% per annum

Where assets have been acquired from other related companies, the depreciation is based upon the original cost and the remaining useful lives.

Operating leases

Costs in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus 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.

Notes *(continued)*

Taxation

The charge for taxation is based on the result for the year as adjusted for disallowable items. Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Timing differences arise from the inclusion of items of income and expenditure in tax computations in periods different from those in which they are included in the accounts. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise.

Foreign currency

Foreign currency transactions have been translated at market rates at the dates of transactions. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Exchange differences are taken into account in arriving at the operating profit.

Employee benefits

Defined contribution plans and other long term employee benefits

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.

Cash flow

The Company is a wholly owned subsidiary of Nippon Telegraph and Telephone Corporation and the cash flows of the Company are included in the consolidated cash flow statement in the financial statements of that Company. Consequently, the Company is exempt under the terms of FRS 1 (Revised) from publishing a cash flow statement.

2 Turnover

The turnover and profit before taxation are attributable to the principal activity, that of managed services. The whole of the Company's turnover arose in the United Kingdom.

Notes *(continued)*

3 Staff costs

The average weekly number of persons (including executive director) employed by the Company during the period / year was:

	18 month period ended 2018 No.	Year ended 2016 No.
Administration and management	1	9
Production and sales	15	38
	16	47

	18 month period ended 2018 £000	Year ended 2016 £000
Salaries and wages	870	3,365
Social security	65	397
Other pension	30	103
	965	3,865

4 Director's emoluments

	18 month period ended 2018 £000	Year ended 2016 £000
Aggregate emoluments	-	-
Company pension contributions	-	-
	-	-

The directors received no emoluments in respect of their services to the company during the period (2016: nil). The directors do not receive compensation from other group companies for their services to Merchants Limited as the time spent specifically related to the company is negligible.

The directors did not have benefits accruing under the money purchase scheme at the year end *(2016: nil).*

Notes *(continued)*

5 Operating income / (expenses)

	18 month period ended 2018 £000	Year ended 2016 £000
Sales and marketing costs	8	574
Administrative expenses	(687)	7,960
	(679)	8,534

6 Operating profit/(loss)

Operating profit/(loss) is stated after charging:

	18 month period ended 2018 £'000	Year ended 2016 £'000
Auditors remuneration		
- Audit services	35	26
Depreciation on tangible owned fixed assets	87	1,229
Operating lease rentals – land and buildings	193	135
Impairment on tangible owned fixed assets	-	1,861
Onerous contract provision	-	5,487

7 Taxation

Income Statement

Tax on profit on ordinary activities

	18 month period ended 2018 £000	Year ended 2016 £000
Current tax:		
UK corporation tax on profits for the period	-	-
Adjustment in respect of previous periods	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Total tax per income statement	-	-

Notes *(continued)*

The current tax charge / (credit) for the period differs from the standard rate of corporation tax in the UK of 19.33% (2016: 20.5%). The differences are explained below:

	18 month period ended 2018 £000	Year ended 2016 £000
Factors affecting the tax charge for the year		
Profit/(loss) for the period	**869**	**(11,065)**
Tax on loss at standard UK tax rate of 19.33% (2016: 20.0%)	169	(2,213)
Effects of:		
Expenses not deductible	2	(4)
Effects of group relief / other reliefs	190	-
Deferred tax not provided and rate changes	(361)	(2,209)
Total charge for the period	-	-

A reduction in the UK corporation tax rate from 21 % to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2016, and an additional reduction to 17%. (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Balance Sheet

Unrecognised potential deferred tax asset	**2018 £000**	2016 £000
Fixed assets	(930)	(1,237)
Timing differences – trading	(38)	(49)
Losses	(809)	(1,463)
	(1,777)	**(2,749)**

Notes *(continued)*

8 Tangible fixed assets

	Leasehold property improvements £000	Fixtures and fittings £000	Office equipment £000	Computer equipment £000	Telephone equipment £000	Total £000
Cost						
At 30 September 2016	1,061	439	34	8,966	522	11,022
Additions	-	-	-	-	-	-
At 31 March 2018	1,061	439	34	8,966	522	11,022
Depreciation						
At 30 September 2016	975	439	34	5,964	522	7,934
Charge for the period	-	-	-	87	-	87
At 31 March 2018	975	439	34	6,051	522	8,021
Impairment						
At 30 September 2016	86	-	-	2,798	-	2,884
Charge for the period	-	-	-	-	-	-
At 31 March 2018	86	-	-	2,798	-	2,884
Net book value						
At 30 September 2016	-	-	-	204	-	204
At 31 March 2018	-	-	-	117	-	117

Capital expenditure contracted for and authorised by the director at 31 March 2018 amounted to £nil *(2016: £nil)*. Assets relating to a specific contract have been impaired following a review of forecast revenue for that contract.

Notes *(continued)*

9 Debtors: amounts due within one year

	2018 £000	2016 £000
Trade debtors	185	1,984
Amounts owed by group undertakings	875	1,174
Other debtors	15	36
VAT	34	-
Prepayments and accrued income	122	341
	1,231	3,535

10 Creditors: amounts falling due within one year

	2018 £000	2016 £000
Trade creditors	28	362
Amounts owed to group undertakings	15,047	15,881
Bank overdraft	7,347	4,003
VAT	-	282
Other taxation and social security	-	138
Accruals	2,562	7,615
	24,984	28,281

The bank overdraft is secured by an unlimited multilateral guarantee given by the ultimate holding Company.

Amounts owed to group undertakings include trading balances of £6,942,329 *(2016: £7,776,918)* and a loan balance of £8,104,000 *(2016: £8,104,000)*. These balances are unsecured, bear no interest and have no fixed repayment date.

11 Deferred taxation

The Company has not recognised a potential deferred tax asset of £1.8m *(2016: £2.7m)* arising from tax losses, fixed assets and other timing differences as there is insufficient evidence of future taxable profits against which the asset can be utilised.

12 Called up share capital

	2018 £'000	2016 £'000
Allotted, called up and fully paid		
10,000 ordinary shares of £1 each	10	10

Notes *(continued)*

13 Reserves

	Profit and loss account £000
At the beginning of the year	(24,513)
Profit for the period	869
At the end of the year	(23,644)

14 Reconciliation of movements in shareholders' funds

	2018 £000	2016 £000
Loss for the financial period	869	(11,065)
Opening shareholders' funds	(24,503)	(13,438)
Closing shareholders' funds	(23,634)	(24,503)

15 Commitments

Commitments under non-cancellable operating leases are as follows:

	2018 £000	2016 £000
Operating leases which expire:		
Within one year	21	150
In the second to fourth year inclusive	-	-
	21	150

16 Pension scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and for the period amounted to £29,632 *(2016: £102,846)*. At 31 March 2018 NIL *(2016: £17,963)* was owed to the scheme.

17 Related parties

The company has taken advantage of the exemption of FRS 102 section 33.1a, that transaction with wholly owned subsidiaries, do not need to be disclosed.

18 Ultimate parent Company

At 30 September 2016, the director regarded Nippon Telegraph and Telephone Corporation, a Company incorporated in Japan as the ultimate parent Company and controlling entity. Copies of Nippon Telegraph and Telephone Corporation consolidated financial statement (including the Company and its subsidiaries) may be obtained from the Corporations website www.ntt.co.jp.

The Company is an immediate subsidiary of Merchants Holdings Limited, a Company incorporated in Great Britain.