BT Facilities Services Limited
Strategic Report, Directors' Report and Financial Statements
for the year ended 31 March 2017

Registered number: 04054291

Strategic report for the year ended 31 March 2017

The directors present their strategic report for BT Facilities Services Limited (the "Company") for the year ended 31 March 2017. The company is a private company limited by shares, which is domiciled and incorporated in the UK.

Review of business

On 31 August 2012 Monteray Limited was purchased by British Telecommunications plc from the former shareholders Carillion Services Limited, Balfour Beatty Workplace Limited and Reliance Facilities Management Limited. Following the acquisition the registered name of the Company was changed to BT Facilities Services Limited ("BTFS").

The Company operates under the same contract that was in place prior to the acquisition and continues to remain in place between the Company and British Telecommunications plc.

As a result of the purchase of EE by British Telecommunications plc in January 2016, the Company commenced providing facilities services to all non-franchise EE retail stores and Nationwide EE Corporate and Switch sites.

The Company also commenced the provision of facilities services for the BT IT properties in Barlborough from April 2016.

The Company's turnover was £119,835,000 for the year (2016: £110,185,000).

Principal risks and uncertainties

The principal risks including financial risks to which BT Group plc (the ultimate controlling entity of the Company) is exposed are also the principal matters which would create risk and uncertainty for the Company. These are managed by the directors of BT Group plc at the group level rather than at an individual business unit level. They are discussed on page 45-54 of the group's 2017 annual report which does not form part of this report.

The directors of BT Group plc manage the group's operations on a divisional basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

Other than trade receivables and payables, the Company does not hold any financial instruments. The Company has not entered into any hedging arrangements or derivative financial instruments.

By order of the Board,

L. Blackwell

Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary
12 July 2017

Directors' report for the year ended 31 March 2017 (continued)

The directors present their report on the audited financial statements of the Company and independent auditors' report for the year ended 31 March 2017. The registered number of the Company is 04054291.

Principal activities and future developments

The Company's principal activity is the provision of facilities management services to the UK estate of BT Group plc. The directors do not anticipate any change in the foreseeable future.

Employees

The Company is committed to involving employees in the business through a policy of communication and consultation. Arrangements have been established for the regular provision of information to all employees through briefings, staff conferences and well-established formal consultation procedures.

The Company is committed to its equal opportunities policies, which includes promoting training and career development for all employees. Full and fair consideration for all vacancies and opportunities will be given to men and women, people with disabilities and those from ethnic minorities, regardless of marital status, age, religion or sexual orientation. If members of staff become disabled the group continues employment wherever possible and arranges retraining. The policy is supported by a Code of Practice on harassment which recognises that all employees have the right to be treated with dignity and respect.

More details of these policies are set out in the BT Group Plc Annual Report for the year ended 31 March 2017.

Results and dividends

The profit on ordinary activities before taxation was £4,419,000 (2016: £5,553,000). The tax on profit on ordinary activities was £964,000 (2016: £1,379,000) which left a profit after taxation for the financial year of £3,455,000 (2016: £4,174,000).

Dividends paid for the year ended 31 March 2017 amounted to £nil (2016: £nil). The directors do not propose to pay a final dividend.

Payment of creditors

The Company's standard policy for payment of creditors is 60 days from invoice date unless otherwise negotiated. The number of day's credit outstanding at 31 March 2017 was 72 days (2016: 76 days).

Directors' report for the year ended 31 March 2017 (continued)

Directors

The directors, who served throughout the year and up to the date of signing, were as follows:

S Hall
GA Paton (appointed 3 May 2017)
C Pate (appointed 17 August 2016)
PN Edmond (appointed 7 July 2017)
PR Turland (resigned 16 May 2017)
ML Steele (resigned 1 May 2017)

Directors' indemnities

As permitted by the Articles of Association, the Directors have the benefit of a Directors' and Officers' liability Insurance, which is a qualifying third-party indemnity provision as defined by Section 234 of the Companies Act 2006. This indemnity, purchased by BT Group plc and applicable to the directors of BT Facilities Services Limited, was in force throughout the last financial year and is currently in force. Neither the insurance nor the indemnity provides cover where the person has acted fraudulently or dishonestly.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the 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.

Directors' report for the year ended 31 March 2017 (continued)

Statement of Directors' Responsibilities (continued)

The directors are 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

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

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

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office.

The directors' report on pages 2 to 4 was approved by the Board of directors on 12 July 2017 and was signed on its behalf by

L. Blackwell.

Authorised Signatory
for and on behalf of Newgate Street Secretaries Limited
Company Secretary

12 July 2017

Registered Office:
81 Newgate Street
London
EC1A 7AJ

Independent auditors' report to the members of BT Facilities Services Limited

Report on the financial statements

Our opinion

In our opinion, BT Facilities Services Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2017 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.

What we have audited

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Balance sheet as at 31 March 2017;
- the Profit and loss account for the year then ended;
- the Statement of changes in equity for the year then ended;
- the accounting policies; and
- the notes to the financial statements, which include other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

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

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

We have no exceptions to report arising from this responsibility.

Directors' remuneration

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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 and 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

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

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

What an audit of financial statements involves

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

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

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

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

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

Tom Yeates (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
12 July 2017

Profit and loss account
for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
Turnover	1	119,835	110,185
Cost of sales		(112,072)	(101,481)
Gross profit		7,763	8,704
Administrative expenses		(3,539)	(3,322)
Operating profit	2	4,224	5,382
Interest receivable and similar income	3	195	171
Profit on ordinary activities before taxation		4,419	5,553
Tax charge	6	(964)	(1,379)
Profit for the financial year		3,455	4,174

All results derive from continuing operations.

There have been no recognised gains or losses during either 2017 or 2016 other than as disclosed in the profit and loss account, and therefore no separate statement of comprehensive income has been presented.

There were no material differences between the results as disclosed above and the results on an unmodified historical cost basis.

Balance sheet as at 31 March 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Tangible assets	7	45	122
Intangible Assets	8	2,867	2,738
		2,912	2,860
Current assets			
Stocks	9	641	646
Debtors- due within one year	10	45,329	36,711
Cash at bank and in hand	12	-	2,400
		45,970	39,757
Creditors: amounts falling due within one year	13	(34,718)	(32,263)
Net current assets		**11,252**	**7,494**
Total assets less current liabilities		**14,164**	**10,354**
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account		14,164	10,354
Total shareholder's funds		**14,164**	**10,354**

The financial statements on pages 7 to 24 were approved and authorised for issue by the Board of directors on 12 July 2017 and were signed on its behalf by

Simon Hall
Director

Statement of changes in equity
for the year ended 31 March 2017

	Called Up Share capital £'000	Profit and loss account £'000	Total £'000
At 1 April 2015	-	5,907	5,907
Profit for the financial year	-	4,174	4,174
Share based payments	-	273	273
At 31 March 2016	-	10,354	10,354
Profit for the financial year	-	3,455	3,455
Share based payments	-	355	355
At 31 March 2017	-	**14,164**	**14,164**

Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with Financial Reporting Standard 101, "Reduced Disclosure Framework" (FRS 101), which involves the application of International Financial Reporting Standards (IFRS) with a reduced level of disclosure. For all periods up to and including the year ended 31 March 2015, the Company prepared its separate financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The financial statements have been prepared under the going concern basis of preparation as well as the historic cost convention and in accordance with the Companies Act 2006. The preparation of financial statements in accordance with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Company's accounting policies. There are no areas involving a higher degree of complexity, or areas where assumption and estimates are significant to the financial statements.

Exemptions

As permitted by FRS 101, the Company has notified its shareholders in writing and, having received no objections, has taken advantage of the disclosure exemptions available. The following exemptions have been taken:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 Share-based Payments.
- The requirements of IFRS 7 Financial Instruments: Disclosures.
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- The requirements of paragraphs 6 and 21 of IFRS 1 'First-time Adoption of International Financial Reporting Standards' to present an opening statement of financial position at the date of transition.
- The requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of Financial Statements';
  - (ii) paragraph 73(e) of IAS 16 'Property, Plant and Equipment'.
  - (iii) paragraph 118(e) of IAS 38 'Intangible Assets'.

Accounting policies (continued)

Exemptions (Continued)

- The following paragraphs of IAS 1 'Presentation of Financial Statements':
  – 10(d) (statement of cash flows);
  – 10(f) (third statement of financial position);
  – 16 (statement of compliance with all IFRS);
  – 38A (requirement for minimum of two primary statements including cash flow statements);
  – 38B-D (additional comparative information);
  – 40A-D (third statement of financial position);
  – 111 (cash flow statement information); and
  – 134 to 136 (capital management disclosures).

The Company intends to continue to take advantage of these exemptions in future years.

Where required, equivalent disclosures have been given in the consolidated financial statements of BT Group plc.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Turnover

Turnover, which excludes value-added tax and other sales taxes, comprises the value of services provided. Turnover is recognised over the period the service is provided.

Where income has been earned, but not invoiced, an estimate of the earned value is recorded in the profit and loss account, and included in the balance sheet as amounts owed by group undertakings (as all services are provided to the BT group).

Dividend distribution

Interim and final dividends are recognised when they are approved.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Accounting policies (continued)

Share based payments

The ultimate parent, BT Group plc, operates a number of equity settled share-based arrangements, as detailed in note 22 to the BT Group plc consolidated financial statements, under which the company receives services from employees as consideration for equity instruments (share options and shares) of BT Group plc.

Equity settled share-based payments are measured at fair value at the date of grant excluding the effect of non market-based vesting conditions but including any market-based performance criteria and the impact of non-vesting conditions (for example the requirement for employees to save). The fair value determined at the grant date is recognised as an expense on a straight line basis over the vesting period, based on the company's estimate of the options or shares that will eventually vest and adjusted for the effect of non market-based vesting conditions. Fair value is measured using either the Binomial options pricing model or Monte Carlo simulations, whichever is most appropriate to the share-based payment arrangement.

Service and performance conditions are vesting conditions. Any other conditions are non-vesting conditions which have to be taken into account to determine the fair value of equity instruments granted. In the case that an award or option does not vest as a result of a failure to meet a non-vesting condition that is within the control of either counterparty, this is accounted for as a cancellation. Cancellations are treated as accelerated vesting and all remaining future charges are immediately recognised in the profit and loss account. As the requirement to save under an employee share save arrangement is a non-vesting condition, employee cancellations are treated as an accelerated vesting.

Awards that lapse or are forfeited result in a credit to the profit and loss account (reversing the previously recognised charges) in the year in which they lapse or are forfeited.

Intangible fixed assets

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use or sell it; There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;

Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and the expenditure attributable to the software Product during its development can be reliably measured.

Accounting policies (continued)

Intangible fixed assets (continued)

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed three years

Tangible fixed assets and depreciation

Tangible fixed assets are stated at historical cost less accumulated depreciation. Cost Includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on tangible fixed assets on a straight line basis from the time they are available for use, so as to write off their costs over their estimated useful lives taking into account any expected residual values.

The lives assigned to significant tangible assets are:

	Years
Plant and machinery	3 – 10 years

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks mainly comprise of consumable items. They are stated at the lower of cost, including appropriate overheads, and estimated net realisable value, after provisions for obsolescence.

Trade debtors

Trade debtors are stated in the balance sheet at estimated net realisable value. Net realisable value is the invoiced amount less provision for doubtful receivables.

Provisions are made specifically where there is objective evidence of a dispute or an inability to pay. An additional provision is made based on an analysis of balances by age, previous losses experienced and general economic conditions.

Accounting policies (continued)

Defined contribution 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 disclosed in note 5 represents contributions payable by the Company to the fund. Defined contribution payments not made and included within accruals at 31 March 2017 were £nil (2016: £nil).

Creditors

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Operating profit

Operating profit is stated after charging administration costs but before investment income and finance costs.

Taxation

The tax expense represents the current tax payable.

Current tax

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

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Accounting policies (continued)

New and amended accounting standards that have been issued but are not yet effective

IFRS 15 'Revenue from Contracts with Customers'
IFRS 15 'Revenue from Contracts with Customers' will be effective for periods beginning on or after 1 January 2018. Transition to IFRS 15 for the Company will take place on 1 April 2018.

IFRS 15 sets out the requirements for recognising revenue and costs from contracts with customers and includes extensive disclosure requirements. The standard requires entities to apportion revenue earned from contracts to individual promises, or performance obligations, on a relative standalone selling price basis.

The Company is planning to adopt IFRS 15 retrospectively and apply the new standard to each prior reporting period presented, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. In order to align reporting within the BT group, the Company will additionally restate the 2017/18 year and will record a cumulative transitional adjustment at 1 April 2017 to restate historical financial data.

The financial impact is not yet reasonably estimable and the Company is still in the process of quantifying the implications of the standard.

Notes to the financial statements

1 Turnover

Turnover represents the net amount receivable, excluding value added tax, for services provided to all customers and is recognised on completion of the services delivered or part thereof relating to the financial year/period covered. Turnover solely relates to the provision of support services in the UK.

2 Operating profit

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Wages and salaries	49,237	42,136
Social security costs	4,590	3,817
Share based payments	355	273
Pension costs	1,642	1,274
Staff costs	55,824	47,500
Depreciation of tangible fixed assets:		
Owned assets	78	103
Amortisation of intangible fixed assets:		
Owned assets	375	93
Operating lease charges:		
Vehicles	44	596
Other	631	672
Vehicle rental not under operating leases	2,595	2,148
Changes in stocks of finished goods and work in progress	5	(101)
Auditors' remuneration		
Statutory audit of the Company's annual financial statements	24	34

3 Interest receivable and similar income

	2017 £'000	2016 £'000
Interest receivable from group undertakings	195	171

Notes to the financial statements (continued)

4 Directors' emoluments

The directors are employed and remunerated by British Telecommunications plc or other group companies in respect of their services to the BT group as a whole. No emoluments were paid to the directors in respect of their services to the Company in the year ended 31 March 2017 (2016: £nil).

5 Employee information

The average monthly number of persons employed by the Company by activity during the year was as follows:

	2017 Number	2016 Number
Administrative FTE	93	67
Operational FTE	1,942	1,644
	2,035	1,711

Employment costs of all employees included above:

	2017 £'000	2016 £'000
Wages and salaries	49,237	42,136
Social security costs	4,590	3,817
Share based payments	355	273
Other Pension costs	1,642	1,274
	55,824	47,500

Included in the above were redundancy costs of £1,307,580 (2016: £1,899,000). £335,803 of the current year costs were subsequently reimbursed to the Company by British Telecommunications plc.

Notes to the financial statements (continued)

6 Tax on profit on ordinary activities

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax at 20% (2016 – 20%)	975	1,098
Total current tax	975	1,098
Deferred tax:		
Origination and reversal of timing differences	-	268
Impact of changes in tax laws and rates	-	12
Accelerated capital allowances	41	-
Provisions	(52)	-
Total deferred tax (note 11)	(11)	280
Tax on profit on ordinary activities	964	1,378

The tax charge for the year outstanding is higher (2016: higher) than the standard rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before taxation	4,419	5,554
Profit on ordinary activities multiplied by standard rate of corporation tax at 20% (2016 – 20%)	884	1,111
Effects of:		
Expenses not deductible for tax purposes	-	1
Changes in tax laws and rates	9	-
Other timing differences	-	12
Tax (over) under provided in previous year	-	199
Share based payments	71	55
Total tax charge	964	1,378

Factors that may affect future tax charges:

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 on 6 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

Notes to the financial statements (continued)

7 Tangible assets

	Plant and Machinery £'000
Cost	
At 1 April 2016	3,814
Additions	1
At 31 March 2017	3,815
Accumulated depreciation	
At 1 April 2016	(3,692)
Charged in the year	(78)
At 31 March 2017	(3,770)
Net book value as at 31 March 2017	45
Net book value as at 31 March 2016	122

Notes to the financial statements (continued)

8 Intangible assets

	Software Development £'000
Cost	
At 1 April 2016	2,831
Additions	504
At 31 March 2017	3,335
Accumulated Amortisation	
At 1 April 2016	(93)
Charged in the year	(375)
At 31 March 2017	(468)
Net book value as at 31 March 2017	2,867
Net book value as at 31 March 2016	2,738

Intangible assets amortisation is recorded in administrative expenses in the profit and loss account.

9 Stocks

	2017 £'000	2016 £'000
Raw materials and consumables	641	646
	641	646

Notes to the financial statements (continued)

10 Debtors

	2017 £'000	2016 £'000
Trade debtors	74	161
Amounts owed by group undertakings	41,304	32,673
Other debtors	3,756	3,693
Deferred tax asset (see note 11)	195	184
	45,329	36,711

Included in amounts owed by group undertakings is a loan of £17,685,976 (2016: £14,540,000) to British Telecommunications plc. The loan is interest bearing (twelve month GBP LIBOR rate plus 30 basis points), unsecured and repayable on demand.

The remaining amounts owed by group undertakings are unsecured, interest free and repayable on demand.

11 Deferred tax asset

	2017 Deferred taxation £'000	2016 Deferred taxation £'000
Balance at 1 April 2016	184	464
Charge to the profit and loss account	11	(270)
Effect of reduction in statutory tax rate	-	(12)
Adjustments in respect of prior years	-	2
Balance at 31 March 2017	195	184

Notes to the financial statements (continued)

11 Deferred tax asset (continued)

Under IAS 12, deferred taxation is provided for in full on temporary differences. The Company does not discount the provision. The deferred tax asset was the result of the tax effect of temporary differences as follows:

	2017 £'000	2016 £'000
Short-term timing differences	195	184
Total asset for deferred taxation	195	184

12 Cash at bank and in hand

The Company, certain fellow subsidiaries and parent companies participate in a cash pooling arrangement and have jointly and severally guaranteed amounts owing to the Company's bankers by any participating company. The liability of the Company is limited to any credit within the Company's specific accounts.

13 Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	14,167	14,337
Corporation taxes	2,457	1,482
Other taxation and social security	1,183	1,014
Other creditors	135	695
Accruals and deferred income	16,776	14,735
	34,718	32,263

Notes to the financial statements (continued)

14 Called up share capital

	2017 £	2016 £
Allotted, called up and fully paid:		
200 (2016: 200) ordinary shares of £1 each	200	200

15 Capital and financial commitments

At 31 March 2017, contracts placed for capital expenditure not provided for in the financial statements amounted to £960,000 (2016: £1,615,000).

Future minimum operating lease payments were as follows:

	2017 Vehicles and IT Software and Hardware £'000	2016 Vehicles and IT Software and Hardware £'000
Within one year	640	655
Between two and five years	320	960
	960	1,615

16 Contingent liabilities

As at 31 March 2017 there were no contingent liabilities or guarantees other than those arising in the ordinary course of the Company's business and disclosed within note 12 and on these no material losses are anticipated

17 Controlling entities

The Company is a wholly owned subsidiary of British Telecommunications plc, which is the immediate controlling entity. The ultimate controlling entity as at 31 March 2017 was BT Group plc.

The parent undertaking of the largest group of companies into which the results of the Company are consolidated is BT Group plc, a company incorporated in England & Wales. Consequently, the Company is exempt under the terms of IAS24 "Related Party Disclosures" from disclosing details of transactions and balances with BT Group plc, fellow group subsidiaries and associated undertakings, and those deemed under BT Group control during the year ended 31 March 2017. Copies of the financial statements of BT Group plc may be obtained from The Secretary, BT Group plc, 81 Newgate Street, London EC1A 7AJ.

Notes to the financial statements (continued)

17 Controlling entities (continued)

The parent undertaking of the smallest group of companies into which the results of the Company are consolidated is British Telecommunications plc, a company incorporated in England & Wales. Copies of the financial statements of British Telecommunications plc are available from The Secretary, British Telecommunications plc, 81 Newgate Street, London EC1A 7AJ.