

Registration number: 09203980

Daisy Group plc

Annual Report and Financial Statements

for the year ended 31 March 2017



Daisy Group plc

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Daisy Group plc

Directors and advisors

Directors S Smith
 M Riley
 N Muller

Company secretary D McGlennon

Registered office Daisy House
 Lindred Road
 Nelson
 Lancashire
 BB9 5SR

Bankers Bank of Scotland
 19/21 Spring Gardens
 Manchester
 M2 1FB

Auditor Deloitte LLP
 Statutory Auditor
 2 Hardman Street
 Manchester
 United Kingdom
 M3 3HF

Daisy Group plc

Strategic report for the year ended 31 March 2017

The directors present their strategic report on Daisy Group plc ("the Company") for the year ended 31 March 2017.

Principal activity

The principal activity of the Company is that of a holding company providing finance to its subsidiary companies.

Business review

In the year ended 31 March 2017, the Company agreed new debt facilities to finance the acquisition by fellow group company, Daisy Intermediate Holdings Limited, of Alternative Networks Limited (formerly Alternative Networks plc, "Alternative"), which included additional senior debt of £100.0 million.

As a result of the additional interest on the new loan facilities, the loss for the year has increased from £54.7 million in the prior year to £58.7 million in the current year. This increase was partly offset by a reduction in exceptional costs from prior year.

Key performance indicators (KPIs)

The Company is exposed to limited risks and uncertainties as it is an investment holding company.

Future developments

The Company is focused on continuing to provide finance to its subsidiary companies in the wider Group.

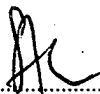
Principal risks and uncertainties

Due to the principal activity of the Company the primary risks relate to financial risks which are discussed in the directors' report.

Brexit

Management continues to closely monitor developments in relation to Brexit and the potential consequential political and economic uncertainties in order to mitigate any risks to the business.

Approved by the board of directors on 29 September 2017 and signed on its behalf by:


.....
S Smith
Director

Daisy Group plc

Directors report for the year ended 31 March 2017

The directors present the annual report and the audited financial statements for the Company for the year ended 31 March 2017. Details of future developments can be found in the strategic report and form part of this report by cross reference as permitted by section 414C of the Companies Act 2006.

Going concern

Under company law, the directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. The Company has the continuing support of its ultimate parent company, Daisy Group Holdings Limited, and therefore the going concern basis continues to be adopted in preparing the financial statements (see note 1 to the financial statements).

Financial risk management

The Company's operations expose it to a limited number of financial risks, namely credit risk and liquidity risk. The Company, along with fellow group companies, arranged and managed external debt funding for the group.

Credit risk

Credit risk associated with cash balances and funding to obtain leased vehicles is managed by transacting with financial institutions with high quality credit ratings. Accordingly, the Company's associated credit risk is deemed to be limited. All associated financial institutions utilised by the Company require the advance approval of the board.

Liquidity risk

The Company regularly forecasts cash flow to ensure that sufficient cash is available from trading for future expenses and capital expenditure.

Policy on payment to suppliers

The Company's supplier payment policy is to agree terms and conditions for business transactions with suppliers. Suppliers are made aware of the Company's terms of payment. Payment is then made subject to these terms and conditions being met.

Proposed dividend

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who held office during the year and since the period end are given below:

S Smith

M Riley

N Muller (appointed 17 August 2016)

Directors' and officers' liability insurance and indemnity

The Group has indemnity insurance in place on behalf of its directors during the year which remains in force at the date of this report. The articles of association of certain associated companies also contain indemnification provisions in favour of Group directors to the extent permitted by law. In addition, Daisy Holdings Limited (formerly Daisy Group Limited), an associated company, has previously made qualifying third-party indemnity provisions for the benefit of certain directors of the Company which remained in place throughout the year and continue to be in force at the date of this report.

Political donations

The Company made no charitable or political donations during the period (2016: £nil).

Daisy Group plc

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

Disclosure of information to the auditors

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Independent auditor

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be re-appointed as auditor in the absence of an annual general meeting.

Approved by the board on 29 September 2017 and signed on its behalf by:



.....
S Smith
Director

Daisy Group plc

Directors' responsibilities statement

The directors are responsible for preparing the annual 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 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.

Daisy Group plc

Independent auditor's report to the members of Daisy Group plc

We have audited the financial statements of Daisy Group plc for the year ended 31 March 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), 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, 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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.

Opinion on the financial statements

In our opinion the financial statements:

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

Daisy Group plc

Independent auditor's report to the members of Daisy Group plc (continued)

Opinion 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 the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report and the directors' report.

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.



.....
Damian Sanders FCA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Manchester

29 September 2017

Daisy Group plc

Statement of comprehensive income for the year ended 31 March 2017

	Note	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
Administrative expenses		(4,029)	(6,698)
Operating loss	3	(4,029)	(6,698)
Adjusted EBITDA		1,036	914
Exceptional administrative expenses	6	(5,065)	(7,612)
Operating loss		(4,029)	(6,698)
Interest receivable and similar income	7	27,047	14,959
Interest payable and similar charges	8	(81,687)	(62,927)
Loss before taxation		(58,669)	(54,666)
Tax on loss	9	(20)	-
Loss for the financial year		(58,689)	(54,666)
Other comprehensive expense			
Derivative financial instruments	10	(300)	(608)
Tax on items taken directly to equity		57	189
		(243)	(419)
Total comprehensive loss for the year		(58,932)	(55,085)

All results in the current and prior years derive from continuing activities.

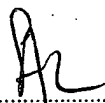
*- operating loss before exceptional administrative expenses.

Daisy Group plc

Balance sheet as at 31 March 2017

	Note	31 March 2017 £ 000	31 March 2016 £ 000
Fixed assets			
Investments	11	655,062	655,062
Debtors: amounts falling due after one year	12	42,006	14,959
Current assets			
Debtors	13	362,281	195,800
Cash at bank and in hand		92	62
		362,373	195,862
Creditors: amounts falling due within one year	14	(13,549)	(10,760)
Net current assets		390,830	200,061
Total assets less current liabilities		1,045,892	855,123
Creditors: amounts falling due after more than one year	15	(926,604)	(676,903)
Net assets		119,288	178,220
Capital and reserves			
Share capital	16	50	50
Share premium account		256,145	256,145
Other reserves		(1,050)	(807)
Retained losses		(135,857)	(77,168)
Total shareholder's funds		119,288	178,220

Approved and authorised by the board on 29 September 2017 and signed on its behalf by:



S Smith

Director

Registered number: 09203980

The notes on pages 12 to 25 form an integral part of these financial statements.

Daisy Group plc

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

	Share capital £ 000	Share premium £ 000	Other comprehensive loss £ 000	Retained loss £ 000	Total £ 000
At 1 April 2015	50	256,145	(388)	(22,502)	233,305
Loss for the period	-	-	-	(54,666)	(54,666)
Movement in interest swaps	-	-	(608)	-	(608)
Tax on items taken directly to equity	-	-	189	-	189
At 31 March 2016	<u>50</u>	<u>256,145</u>	<u>(807)</u>	<u>(77,168)</u>	<u>178,220</u>
At 1 April 2016	50	256,145	(807)	(77,168)	178,220
Loss for the year	-	-	-	(58,689)	(58,689)
Movement in interest swaps	-	-	(300)	-	(300)
Tax on items taken directly to equity	-	-	57	-	57
At 31 March 2017	<u>50</u>	<u>256,145</u>	<u>(1,050)</u>	<u>(135,857)</u>	<u>119,288</u>

The notes on pages 12 to 25 form an integral part of these financial statements.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis, under historical cost convention and in accordance with the Companies Act 2006 and Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The Company has the continuing support of its ultimate parent company, Daisy Group Holdings Limited, and therefore the going concern basis continues to be adopted in preparing the financial statements. The principal accounting policies, which have been applied consistently throughout the current and prior year, are set out below.

In all cases references to Adjusted EBITDA relate to the operating result from continuing operations before exceptional administrative expenses.

The functional currency of the Company is considered to be pounds sterling because that is the operational currency of the primary economic environment in which the Company operates.

The Company is a private limited company limited by shares and is incorporated and domiciled in the UK. The address of its registered office is Daisy House, Lindred Road Business Park, Nelson, Lancashire, BB9 5SR.

The Company has taken advantage of the exemption (Companies Act 2006 s400) not to prepare group financial statements on the basis that the Company is included within the consolidated group financial statements of Daisy Group Holdings Limited which are publically available.

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken exemptions available to it in the preparation of its financial statements. Exemptions have been taken in relation to the presentation of a cash flow statement, financial instruments, intra-group transactions and remuneration of key management personnel.

Going concern

The Company arranges external funding for the Group along with fellow group companies and provides working capital facilities to the rest of the Group via intercompany accounts. The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of the current facilities.

Taking the above into account and the results of the Company for the year, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. As such they continue to adopt the going concern basis of accounting in preparing the financial statements.

Fixed asset investments

Investments in subsidiary undertakings held as fixed assets are stated at cost less provision for any impairment. In the opinion of the directors the value of such investments is not less than shown at the balance sheet date. Impairments to investments are charged to exceptional administrative expenses in the income statement. Impairment reviews are performed by the directors when there has been an indication of potential impairment.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements into which the Company has entered. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

Financial assets and liabilities

All financial assets and liabilities are initially measured at the transaction price (including transaction costs), except for those financial assets classified at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are offset in the balance sheet only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments and hedging

The Company makes use of derivative financial instruments to hedge its exposure to interest rate risks arising from financing activities. The Company does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognised initially at fair value, i.e. cost. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognised in other reserves providing it meets the criteria for hedge accounting.

The fair value of the derivative financial instruments is the estimated amount that the Company would receive or pay to terminate the instrument at the balance sheet date, taking into account current interest rates and the current creditworthiness of the instrument counterparties.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, exercised or no longer qualifies for hedge accounting or the Company chooses to end the hedging relationship.

Measurement

The financial instruments included on the Company's balance sheet are measured at fair value or amortised cost. The measurement of this fair value can, in some cases, be subjective and can depend on the inputs used in the calculations. The different valuation methods are called 'hierarchies' and are described below.

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair values measured using inputs, other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly; and

Level 3: Fair values measured using inputs for the asset or liability that are not based on observable market data.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

1 Accounting policies (continued)

Taxation

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

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

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Interest payable and similar charges

Loan interest is accrued in the income statement over the term of the loan. Loan arrangement fees are deducted from the carrying value of debt and are recognised in the income statement over the term of the loan.

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Management continually evaluates the estimates, assumptions and judgements based on available information and experience.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Critical judgements in applying the Company's accounting policies

Exceptional items

The Company applies judgement in assessing the substance of transactions to identify those that are material individually or in aggregate and non-operating or non-recurring in nature and these are presented as exceptional items in the income statement, within the relevant account heading. Items that may give rise to classification as exceptional items include, but are not limited to, significant restructuring and rationalisation programmes, asset impairments, negative goodwill, transaction fees and re-measurement of contingent consideration. The directors are of the opinion that the separate recording of exceptional items provides helpful information about the Company's underlying business performance.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment as at the transition date and thereafter for all non-financial assets at each reporting date. If any indications of impairment exist the recoverable amount is estimated.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3 Operating loss

Fees payable to the Company's auditor for the audit of the Company's annual accounts is £1,000 (2016: £5,000). There were no non-audit fees paid by the company in the year (2016: £nil).

4 Directors' emoluments

Any remuneration received by the directors was borne by other companies in the wider Group. The Company received a recharge for directors' remuneration of £2.4 million for the year ended 31 March 2017 (2016: £1.9 million).

5 Employee information

The Company had no employees during the current or prior year.

6 Exceptional administrative expenses

	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
Costs directly associated with acquisitions	2,861	7,612
Re-financing costs	2,204	-
	<u>5,065</u>	<u>7,612</u>

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

6 Exceptional administrative expenses (continued)

The majority of the exceptional costs in the current year relate to the acquisition of Alternative Networks Limited (formerly Alternative Networks plc) and its subsidiary companies. These costs were paid on behalf of a fellow group company. The re-financing costs relate primarily to legal and professional fees associated with the preparation of a corporate bond which, following a change in market conditions, the Company decided not to complete.

The expense in the prior year relates to the costs arising from the acquisition of Phoenix IT Group Limited and its subsidiary companies.

7 Interest receivable and similar income

	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
Interest due from group companies	<u>27,047</u>	<u>14,959</u>

Interest due from group companies relates to two loans, one with an interest rate of 15% per year repayable on 15 July 2025 and one with an interest rate of 13.25% repayable on 19 October 2024.

8 Interest payable and similar charges

	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
External loan interest	24,081	21,300
Interest due to group undertakings	53,300	38,286
Amortisation of finance costs	4,169	3,292
Other interest	<u>137</u>	<u>49</u>
	<u>81,687</u>	<u>62,927</u>

Accrued interest on the intercompany loan due from Daisy Finco Limited ("Finco") during the year was £53.3 million (2016: £38.3 million). Of this amount, £26.0 million (2016: £19.5 million) relates to loans with a 13.25% interest rate, repayable on 19 October 2024, £4.0 million (2016: £3.8 million) relates to a loan with a 7.0% annual interest rate, which is repayable on 14 November 2024 and £23.3 million (2016: £15.0 million) relates to a loan with a 15% annual interest rate, which is repayable on 15 July 2025.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

9 Tax on loss

	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
Total current tax charge	-	-
Deferred tax		
Arising from origination and reversal of timing differences	20	-

The total tax charge for the year is higher than the standard rate of corporation tax in the UK 20% (2016: 20%). Total current tax relating to items of other comprehensive income is £57,000 (2016: £189,000). The differences are explained below:

	Year ended 31 March 2017 £ 000	Year ended 31 March 2016 £ 000
Loss before taxation	(58,669)	(54,666)
Total tax at 20% (2016: 20%)	(11,734)	(10,933)
Effects of:		
Expenses not deductible	577	1,083
Group relief surrendered	10,538	8,780
Deferred tax not recognised	430	1,070
Re-measurement of deferred tax - change in UK tax rates	209	-
Total tax charge for the year	20	-

Finance Act 2016 introduced a reduction to the rate of corporation tax to 17% with effect from 1 April 2020. Finance Act 2015 (No 2) which was substantively enacted in October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017 and 18% from 1 April 2020 (superseded by Finance Act 2016 as noted). Accordingly, deferred tax balances have been revalued to the lower rate of 17% in these accounts.

The net reversal of deferred tax assets expected to occur in the year beginning 1 April 2017 is £75k. There is no expiry date on timing differences or unused losses.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

10 Financial instruments

The Company has entered into derivative transactions in the form of interest rate cap and swap arrangements to manage the interest rate risk arising from the Group's operations and its sources of finance. During the year the Group's interest rate caps expired leaving £nil notional principal debt hedged using interest rate caps (2016: £75.6 million notional principal). These caps were replaced with swap agreements and so £184.8 million (2016: £131.7 million) of notional principal debt is hedged using interest rate swaps held with three providers at the year-end. These swap agreements swap a floating LIBOR interest rate for fixed rates ranging between 0.983% and 1.092%.

The interest rate swaps are designated cash flow hedges and have been fully effective since inception. The fair value measurement is classified as Level 2, derived from other observable market data. This means that their fair value is based upon the mark-to-market valuation at the balance sheet date. Fair value measurement at Level 2 gives consideration to interest rates and yield curves at commonly quoted intervals for relevant currencies. The fair value of these instruments at 31 March 2017 is a liability of £1.3 million (2016: a liability of £1.0 million) (note 15). A loss of £0.3 million has been recognised in other comprehensive income in the year ended 31 March 2017 (2016: a loss of £0.6 million). As the hedges were fully effective, there has been no income statement impact of the valuation.

11 Investments

	Shares in subsidiary undertakings £ 000
Subsidiaries	
Cost	
At 1 April 2016 and 31 March 2017	655,062
Impairment	
At 1 April 2016 and 31 March 2017	
Net book amount	
At 31 March 2016 and 31 March 2017	<u>655,062</u>

On 8 December 2014 the Company exchanged 1 ordinary share for 138,456,734 ordinary shares of £0.02 each in the capital of Daisy Group Limited. This transaction related in share premium of £256.1 million. See note 18 for full listing of related undertakings.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

11 Investments (continued)

Name	Percentage of issued share capital held	Principal business activity
Daisy Group Limited	100%	Holding company

The registered address for the subsidiary above is Daisy House, Lindred Road Business Park, Nelson, Lancashire BB9 5SR.

The directors believe that the carrying value of the investments is supported by their underlying net assets and the on-going profitability of the businesses.

12 Debtors: due after more than one year

	2017 £ 000	2016 £ 000
Amounts owed by group undertakings	42,006	14,959

Amounts owed by group undertakings are unsecured and are receivable 7 to 9 years from the date of these accounts. For further details of the interest accruing on these balances, please refer to note 7.

13 Debtors

	2017 £ 000	2016 £ 000
Prepayments and accrued income	60	39
Amounts owed by group undertakings	361,884	195,566
Deferred tax assets	226	189
Other debtors	111	6
	<u>362,281</u>	<u>195,800</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

The deferred tax asset is expected to be utilised against future profits and the reversal of the timing differences.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

Deferred tax

Deferred tax assets and liabilities

	Deferred tax £ 000
At 1 April 2016	189
Deferred tax charged in the profit and loss account	(20)
Deferred tax charged to other comprehensive income	57
At 31 March 2017	<u>226</u>

Analysis of deferred tax:

	2017 £ 000
Short term timing differences	<u>226</u>
	2016 £ 000
Short term timing differences	<u>189</u>

14 Creditors: amounts falling due within one year

	2017 £ 000	2016 £ 000
Bank borrowings	7,500	5,625
Amounts owed to group undertakings	30	-
Other creditors	-	14
Accruals and deferred income	6,019	5,121
	<u>13,549</u>	<u>10,760</u>

15 Creditors: amounts falling due after more than one year

	Note	2017 £ 000	2016 £ 000
External loans		381,251	305,150
Amounts due to group undertakings		544,057	370,757
Derivative financial instruments	10	1,296	996
		<u>926,604</u>	<u>676,903</u>

Amounts owed to group undertakings are unsecured and are repayable 7 to 9 years from the date of these financial statements. For further details of the interest accruing on these balances, please refer to note 8.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

15 Creditors: amounts falling due after more than one year (continued)

Bank borrowings are broken down as follows:

	2017 £ 000	2016 £ 000
In one year or less or on demand	7,500	5,625
In more than two years but not more than five years	410,375	51,875
In more than five years	-	273,000
Unamortised bank fees	(19,014)	(15,115)
Unamortised bank fees (PIKco)	(10,110)	(4,610)
	<u>388,751</u>	<u>310,775</u>

The unamortised bank fees of £10.1 million (2016: £4.6 million) relate to external loans held by Daisy PIKco Limited. These loans and the fees have been passed to the Company through the intercompany accounts but the fees are external and so the unamortised amount is included within bank loans.

16 Called up share capital and reserves

Allotted, called up and fully paid shares

	31 March 2017		31 March 2016	
	No.	£ 000	No.	£ 000
Ordinary shares of £1 each	<u>50,000</u>	<u>50</u>	<u>50,000</u>	<u>50</u>

The retained loss represents cumulative losses net of dividends paid and other adjustments. The share premium reserve is detailed in note 11 and the other reserves represents the hedging reserve for the interest rate swaps.

17 Contingent liabilities

The Company has debt facilities in place which are secured through fixed and floating charges over the assets of the company and its subsidiary undertakings. The total indebtedness against this senior facility at 31 March 2017 was £417.9 million (2016: £330.5 million).

Another fellow group company, Daisy PIKco Limited, has a payment in kind facility in place which is also secured through fixed and floating charges over the assets of the Group. The total indebtedness of this facility at 31 March 2017 was £305.3 million (2016: £159.3 million) including rolled up interest of £50.3 million (2016: £24.3 million).

The directors do not expect any material loss to arise in respect of the group security arrangements in place.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

18 Related undertakings

The ultimate parent undertaking and controlling party is Daisy Group Holdings Limited which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The financial statements of Daisy Group Holdings Limited are filed with Companies House.

The immediate parent undertaking is Daisy Finco Limited, a company registered in England.

At 31 March 2017 the Company's other related undertakings are as detailed in the table below. The Company's only direct subsidiary is Daisy Holdings Limited.

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

18 Related undertakings (continued)

Name	Country of incorporation	Nature of business	% of ordinary shares held by the Group
9K Limited	UK	Non-trading	100%
ABSE Limited	UK	Non-trading	100%
Anglia Telecom Centres Limited	UK	Telecommunications services	100%
BNS Mobile Limited	UK	Non-trading	100%
BNS Telecom Group Limited	UK	Non-trading	100%
CIX Holdings Limited	UK	Non-trading	100%
Compulink Information Exchange Limited	UK	Non-trading	100%
Daisy Communications Ltd	UK	Telecommunications services	100%
Daisy Data Centre Solutions Limited	UK	Non-trading	100%
Daisy Data Solutions Limited	UK	Non-trading	100%
Daisy Digital Limited	UK	Non-trading	100%
Daisy Digital Media Limited	UK	Non-trading	100%
Daisy Finco Limited	UK	Non-trading	100%
Daisy Holdings Limited	UK	Non-trading	100%
Daisy Intermediate Holdings Limited	UK	Non-trading	100%
Daisy Local Business Limited	UK	Telecommunications services	100%
Daisy Midco Limited	UK	Non-trading	100%
Daisy Partner Services Limited	UK	Telecommunications services	100%
Daisy Partner Services Trading Limited	UK	Telecommunications services	100%
Daisy PIKco Limited	UK	Non-trading	100%
Daisy Surgery Line Limited	UK	Non-trading	100%
Daisy Telecoms Limited	UK	Non-trading	100%
Daisy Udata Communications Limited*	UK	Telecommunications services	50%
Daisy Wholesale Limited	UK	Telecommunications services	100%
Daisy Worldwide Limited	UK	Telecommunications services	100%
Daisy Corporate Services Limited	UK	Telecommunications services	100%
Faultbasic Limited	UK	Non-trading	97.20%
Fleur Telecom Limited	UK	Telecommunications services	100%
Freedom4 Access Limited	UK	Non-trading	97.20%
Freedom4 Limited	UK	Non-trading	97.20%
Genesis Mobile Communications Limited	UK	Non-trading	100%
GX Networks UK Limited	UK	Non-trading	100%
Infinicom Communications Limited	UK	Non-trading	89.70%
Daisy WIFI Limited	UK	Telecommunications services	100%
Managed Communications Limited	UK	Telecommunications services	90%
MoCo Communications Limited	UK	Non-trading	100%
Daisy Distribution Limited	UK	Non-trading	100%
MoCo Telecom Limited	UK	Non-trading	100%
Murphx Innovative Solutions Limited	UK	Non-trading	100%
Network Europe Group Limited	UK	Non-trading	100%
O-Bit Telecom Limited	UK	Telecommunications services	100%
Single Source Computer Services UK Limited	UK	Non-trading	100%
SpiriTel Limited	UK	Non-trading	100%
Spritel Mobile Limited	UK	Telecommunications services	100%
Surgery Line Limited	UK	Non-trading	100%
The Net Crowd Limited	UK	Non-trading	100%
Vialtus Holdings Limited	UK	Non-trading	100%
Vialtus Limited	UK	Non-trading	100%
Worldwide Connect Limited	UK	Non-trading	100%
Damovo UK Limited	UK	Non-trading	100%

Daisy Group plc

Notes to the financial statements for the year ended 31 March 2017 (continued)

18 Related undertakings (continued)

Name	Country of incorporation	Nature of business	% of ordinary shares held by the Group
Daisy Computer Group Limited	UK	IT services	100%
Daisy IT Services Limited	UK	IT services	100%
Daisy IT Continuity and Resilience Services Limited	UK	IT services	100%
Daisy IT Managed Services Limited	UK	IT services	100%
Daisy IT Continuity Consulting Limited	UK	IT services	100%
Daisy 1000 Limited	UK	IT services	100%
Daisy IT Computer Group (Scotland) Limited	UK	IT services	100%
Knaves Beech Investments No1 Limited	UK	IT services	100%
Phoenix International Holdings Limited	UK	IT services	100%
NDR (Holdings) Limited	UK	IT services	100%
Phoenix IT Trustees Limited	UK	IT services	100%
Trend Network Services Limited	UK	IT services	100%
VHA Limited	UK	IT services	100%
Network Disaster Recovery Limited	UK	IT services	100%
Servo Computer Services Limited	UK	IT services	100%
ICM Limited	UK	IT services	100%
Criffel Micro Business Systems Limited	UK	IT services	100%
Daisy IT Shared Services Limited	UK	IT services	100%
Daisy IT Group Limited	UK	IT services	100%
SCT Investments Limited	UK	Telecommunication services	100%
Alternative Networks Limited	UK	Telecommunication services	100%
Control Circle Limited	UK	Telecommunication services	100%
Alternative Cloud Services Limited	UK	Non-trading	100%
Scalable Communications Limited	UK	Telecommunication services	100%
Echo Communications Limited	UK	Non-trading	100%
Aurora Kendrick James Limited	UK	Telecommunication services	100%
Intercept IT Limited	UK	Telecommunication services	100%
Control Circle LLC USA	USA	Telecommunication services	100%
Control Circle Pte Limited	Singapore	Telecommunication services	100%

* - Joint venture

The registered address for all subsidiaries with the exception of Control Circle LLC USA and Control Circle Pte Limited, is Daisy House, Lindred Road Business Park, Nelson, Lancashire BB9 5SR. The addresses for the above mentioned companies are D'Arelli Pruzansky, P.A, 5489 Wiles Road, Unit 303, Coconut Creek, Florida 33073 and Focus Management Pte Ltd, 20 Maxwell Road, #06-03 Maxwell House, Singapore 069113 respectively.