

**Black Box Network Services (UK)  
Limited**

Report and Financial Statements

Year ended

31 March 2019

Company Number 02182174

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# **Black Box Network Services (UK) Limited**

**Report and financial statements  
for the year ended 31 March 2019**

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## **Directors**

B C Tobin  
L K Wallin

## **Secretary and registered office**

P Mellors, Unit 3, Bennet Court, Bennet Road, Reading, Berkshire, RG2 0QX

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## **Company number**

02182174

## **Auditors**

BDO LLP, Level 12, Thames Tower, Station Road, Reading, Berkshire, RG1 1LX

# **Black Box Network Services (UK) Limited**

## **Strategic report for the year ended 31 March 2019**

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The directors present their strategic report, directors' report and audited financial statements for the year ended 31 March 2019.

### **Principal activities**

The Company's principal activities fall into two service sectors:

#### Technology Product Solutions

The sale of data communication, structured cabling and telephony products through our catalogues and online.

#### Data and Voice Services

Data Services - The design, installation, product procurement and maintenance of wired, wireless and hybrid network infrastructures.

Voice Services - design, installation and maintenance of a full range of communications technologies for VoIP, traditional telephony, unified communications and mobility.

### **Review of the business**

The Company's strategy is to remain focussed on its core markets and to achieve organic growth. The Company will continue to generate stable recurring revenue from the retail of network components product sales (35% of total revenue) and the supply and installation of networks (65% of total revenue).

### **Key performance indicators**

Black Box Corporation uses four key indicators to measure performance. These are the loss before interest and tax ("LBIT") measured as a percentage against revenue, LBIT decline, number of debtor days and turnover for the year decline. To comply with corporate objectives the key performance indicators are calculated under US Generally Accepted Accounting Principles ("GAAP"). They are therefore subject to a small number of UK GAAP adjustments prior to being disclosed in these local statutory financial statements.

Revenues for 2019 saw a 5.1% decline on those of 2018 and 2019 also saw gross margin increase of 8% over 2018.

LBIT for 2019 was £0.84m, a £3.44m decrease from a LBIT of £4.18m in 2018.

LBIT was 5.3% of revenue in 2019, a decrease of 20.5% from 25.8% in 2018.

Debtor days in 2019 were 72 days, an increase of 4 days from 68 days in 2018.

The business continued to drive growth through the introduction of new sales and marketing programmes to support product and service offerings and increase its customer base.

### **Principal risks and uncertainties**

A significant change in its ultimate ownership happened on January 7th 2019 when Black Box Corporation was acquired by BBX Inc. (a company formed and indirectly wholly-owned by AGC Networks Limited) as a result of the merger of Host Merger Sub Inc. (which, prior to such merger, was a wholly-owned subsidiary of BBX Inc.) with and into Black Box Corporation. As a result of said merger, AGC Networks Limited became the ultimate parent company of the Company.

# Black Box Network Services (UK) Limited

Strategic report  
for the year ended 31 March 2019 (continued)

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## Principal risks and uncertainties (continued)

The market for both Technology Product Solutions and Data and Voice Services remains highly competitive. The Company's client base is extensive and spans all major market sectors, meaning that the Company is less reliant on one client or market sector. Despite an increase in competition via the web, our web revenue and traffic continue to rise. This is partly due to the fact that we continue to market our superior technical support services that are available free and 24/7 - we believe that this, coupled with our web presence, is a key market differentiator.

A major technological change/shift could impact or challenge demand for current products and might require increased need for R&D and specialist competence. To mitigate for this risk the Black Box group operates a R&D company in Limerick, Ireland and employs a Product Management team. Product line performance forms a critical part of the business analysis.

The Directors are confident that the unique combination of premium products and infrastructure services will enable the Company to keep capitalising on the numerous market opportunities.

### *Currency risk*

The Company makes sales and purchases in three currencies, GB Pounds, US Dollars and Euros. The Company naturally hedges any foreign exchange, any surplus currencies are remitted to the parent company, Black Box Corporation of Pennsylvania.

### *Credit risk*

The Company's credit risk is primarily attributable to its trade debtors. Credit risk is managed by running credit checks on new customers and by monitoring payments against contractual agreements and ageing of debt. Year-end trade debtors represent 72 days' average sales.

### *Group liquidity and cash flow risk*

For the majority of suppliers to the Company, payments are made between 30 and 60 days from the date of invoice. Payment terms are agreed with suppliers as part of the overall terms of the transaction. Year-end creditors represent 27 days' average purchases and expenses.

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## Future developments

In FY19 the transfer of the Finance and Operations activities from the local UK offices had been completed and centralized to the Shared Services Centre based in the Netherlands. These activities have become more established and have resulted in improved processes and better utilization of resources. These changes have mostly affected the Technology Product Solutions business activities. Data and Voice Services internal organizational structure has remained the same.

Focus in FY20 will be in growth and improved profitability, driven by new KVM product lines, adjustment of go-to-market strategies, cost decrease activities and continuous improvement of internal processes. No significant capital investments or financing changes are planned and headcount is expected to stay similar to FY19.

## On behalf of the Board



B C Tobin  
Director

Date: 23 October 2019

# **Black Box Network Services (UK) Limited**

## **Directors' report for the year ended 31 March 2019**

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The directors present their report together with the audited financial statements for the year ended 31 March 2019.

### **Directors**

The directors of the Company during the year were:

B C Tobin  
J Whitney (resigned 31 March 2019)  
L K Wallin (appointed 1 April 2019)

### **Directors' indemnity insurance**

The Company maintains third party indemnity insurance on behalf of its directors.

### **Results**

The profit and loss account is set out on page 8 and shows turnover for the year of £15.7m (2018 - £16.6m) and loss after taxation of £0.7m (2018 - £4.2m).

The directors do not recommend the payment of a dividend. (2018 - £nil). No dividends were paid during the year.

### **Events since the balance sheet date**

There have been no events since the balance sheet date which materially affect the position of the Company.

### **Auditors**

All of the current Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

### **On behalf of the Board**



B C Tobin  
Director

Date: 23 October 2019

## **Black Box Network Services (UK) Limited**

### **Directors' responsibilities statement for the year ended 31 March 2019**

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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 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). 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 accounting estimates that are reasonable and prudent;
- 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.

# **Black Box Network Services (UK) Limited**

## **Independent auditor's report**

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### **INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF BLACK BOX NETWORK SERVICES (UK) LIMITED**

#### **Opinion**

We have audited the financial statements of Black Box Network Services (UK) Limited ("the Company") for the year ended 31 March 2019 which comprise the statement of comprehensive income, the statement of financial position, and the statement of changes in equity, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2019 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.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are Independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The Directors are responsible for the other information. The other information comprises the information included in the Strategic Report and Directors Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

# **Black Box Network Services (UK) Limited**

## **Independent auditor's report**

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We have nothing to report in this regard.

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

### **Matters on which we are required to report by exception**

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 material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of Directors**

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

In preparing the financial statements, the Directors are responsible for 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 the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



## **Black Box Network Services (UK) Limited**

### **Independent auditor's report**

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#### **Use of our report**

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.

*BDO LLP*

Christopher Pooles (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading, UK

Date: *23 October 2019*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

## Black Box Network Services (UK) Limited

### Statement of comprehensive income for the year ended 31 March 2019

	Note	2019 £'000	2018 £'000
<b>Turnover</b>	3	15,714	16,571
Cost of sales		(12,079)	(14,073)
<b>Gross profit</b>		<b>3,635</b>	<b>2,498</b>
Administrative expenses		(4,472)	(4,721)
Impairment of goodwill		-	(2,059)
<b>Operating loss</b>	4	<b>(837)</b>	<b>(4,282)</b>
Interest receivable	7	109	107
<b>Loss on ordinary activities before taxation</b>		<b>(728)</b>	<b>(4,175)</b>
Taxation on loss from ordinary activities	8	14	14
<b>Loss on ordinary activities after taxation</b>		<b>(714)</b>	<b>(4,161)</b>
Other comprehensive income for the year		-	-
<b>Total comprehensive loss for the year</b>		<b>(714)</b>	<b>(4,161)</b>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.


The notes on pages 11 to 22 form part of these financial statements.

# Black Box Network Services (UK) Limited

## Statement of financial position at 31 March 2019

<b>Company number 02182174</b>	<b>Note</b>	<b>2019 £'000</b>	<b>2019 £'000</b>	<b>2018 £'000</b>	<b>2018 £'000</b>
<b>Fixed assets</b>					
Tangible assets	10		156		271
			<hr/>		<hr/>
			156		271
<b>Current assets</b>					
Stocks	11	2		-	
Debtors	12	8,843		8,926	
Cash at bank and in hand		1,297		1,761	
		<hr/>		<hr/>	
		10,142		10,687	
<b>Creditors: amounts falling due within one year</b>	13	(3,173)		(3,262)	
		<hr/>		<hr/>	
<b>Net current assets</b>			6,969		7,425
			<hr/>		<hr/>
<b>Total assets less current liabilities</b>			7,125		7,696
<b>Provision for liabilities</b>	14		(338)		(195)
			<hr/>		<hr/>
<b>Net assets</b>			6,787		7,501
			<hr/>		<hr/>
<b>Capital and reserves</b>					
Called up share capital	15		620		620
Share premium			2,172		2,172
Merger reserve			5,694		5,694
Profit and loss account			(1,699)		(985)
			<hr/>		<hr/>
<b>Shareholders' funds</b>			6,787		7,501
			<hr/>		<hr/>

The financial statements were approved by the board of directors and authorised for issue on 23 October 2019.

  
B C Tobin  
Director

The notes on pages 11 to 22 form part of these financial statements.

## Black Box Network Services (UK) Limited

### Statement of changes in equity for the year ended 31 March 2019

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	Share capital £'000	Share premium £'000	Merger reserve £'000	Profit and loss account £'000	Total equity £'000
1 April 2018	620	2,172	5,694	(985)	7,501
<b>Comprehensive loss for the year</b>	-	-	-	(714)	(714)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2019	620	2,172	5,694	(1,699)	(6,787)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
1 April 2017	620	2,172	5,694	3,176	11,662
<b>Comprehensive loss for the year</b>	-	-	-	(4,161)	(4,161)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
31 March 2018	620	2,172	5,694	(985)	7,501
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

The notes on pages 11 to 22 form part of these financial statements.

# Black Box Network Services (UK) Limited

## Notes forming part of the financial statements for the year ended 31 March 2019

### 1 Accounting policies

Black Box Network Services (UK) Limited is a private company incorporated in the United Kingdom and limited by shares. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the Strategic report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies. These are set out in note 2.

#### *Disclosure exemptions*

In preparing the financial statements, advantage has been taken of the following disclosure exemptions available in FRS 102 available to qualifying entities:

- No cash flow statement has been presented for the company;
- Disclosures in respect of the company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the group as a whole;
- Disclosures in respect of the company's share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the group as a whole; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the company as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

#### *Turnover - Technology product solutions:*

Turnover is recognised when the title to products sold passes to the customer, which occurs upon shipment from the company's location.

#### *Turnover - Data and voice solutions:*

#### *Long-term contracts*

Long-term contracts are assessed on a percentage completion basis, derived from costs to date as a percentage of total estimated costs, and are reflected in the profit and loss account by recording turnover and related costs as contract activity progresses.

#### *Mac tickets*

Turnover is recognised on Mac Tickets (time and material work, normally of less than a month in duration) when all work has been completed.

#### *Maintenance contracts*

Maintenance contracts are recognised on a straight line basis over the course of the contract.

# Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

## 1 Accounting policies (continued)

### *Tangible fixed assets*

Tangible fixed assets are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

### *Goodwill*

Goodwill is the difference between the cost of an acquired operation and the aggregate of the fair value of that operations identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over the directors' best estimate of its useful economic life which is considered to be 20 years.

### *Impairment of fixed assets*

The carrying value of fixed assets is reviewed for impairment in periods when events or changes in circumstances indicate that the carrying value may not be recoverable.

### *Depreciation*

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its estimated useful life, as follows:

Leasehold improvements	-	over the term of the lease
Plant, machinery and equipment	-	between 3-5 years
Fixtures and fittings	-	between 5-7 years
Computer hardware and software	-	between 3-5 years
Motor vehicles	-	3 years

The assets residual value, useful lives and depreciation methods are reviewed and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the statement of comprehensive income.

# Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (*continued*)

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## 1 Accounting policies (*continued*)

### *Current and deferred taxation*

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company's subsidiaries operate and generate taxable income.

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

### *Share based employee remuneration*

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the profit and loss account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the profit and loss account over the remaining vesting period.

Where restricted stock units are awarded to employees the fair value of units at the date of grant are charged to the profit and loss account over the vesting period.

The directors have taken the exemption available under FRS 102 and no disclosure has been provided.

# Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (*continued*)

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## 1 Accounting policies (*continued*)

### *Operating lease agreements*

Rentals under operating leases are charged on a straight line basis over the lease term.

Where the company has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' occurs.

### *Pension costs*

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

### *Holiday pay accrual*

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

### *Financial assets*

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

### *Financial liabilities and equity*

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

### *Reserves*

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- The share premium account includes the premium on issue of equity shares, net of any issue costs.
- The merger reserve was created on 31 March 2004 when Black Box Network Services (UK) Limited acquired the trade and net assets of Black Box Network Services (Newbury) Limited, Black Box Network Services (North West) Limited, Black Box Network Services (Northern Ireland) Limited, Black Box Network Services (Cambridge) Limited and Black Box Network Services (Nottingham) Ltd., all former fellow subsidiaries of Black Box Corporation. The referenced entities were dissolved via strike-offs in September 2014.
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.



## **Black Box Network Services (UK) Limited**

**Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)**

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### **2 Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the directors have made the following judgements:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

*Other key sources of estimation uncertainty*

- *Tangible fixed assets (see note 10)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Revenue recognition*

Revenue on long term contracts is recognised on a percentage completion basis. The total anticipated costs are estimated so that stage of completion can be assessed. This estimate is made based on knowledge of customers and prospects using experience of project managers.

- *Bad debt provision*

Trade debtors are reviewed for bad debts, and where identified they are provided for. Consideration is given to customer history, age of debt and other relevant information.

- *Dilapidations*

The company has entered into a number of property leases under which it is required to reinstate the condition of the property at the end of the lease to an agreed condition. The company engages professional advisors to estimate the cost of the reinstatement and provides for the discounted value of this liability at the commencement of the lease.

## Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 *(continued)*

### 3 Turnover

Turnover represents amounts receivable, exclusive of VAT, for goods and services delivered to customers in the year. Turnover is wholly attributable to the principal activities of the company.

Analysis of turnover by country of destination:

	2019 £'000	2018 £'000
United Kingdom	13,189	12,063
Rest of Europe	989	3,293
USA	-	10
Rest of world	1,536	1,205
	<u>15,714</u>	<u>16,571</u>

Analysis of turnover by business class:

	2019 £'000	2018 £'000
Supply and installation of network solutions (Data and Voice Services)	10,232	9,711
Retail of network components (Technology Product Solutions)	5,482	6,860
	<u>15,714</u>	<u>16,571</u>

### 4 Operating loss

	2019 £'000	2018 £'000
This is arrived at after charging:		
Auditors' remuneration - audit services	79	76
Auditors' remuneration - non audit services	11	5
Depreciation of tangible fixed assets	133	48
Operating lease rentals:		
- plant and machinery	-	71
- land and buildings	214	230
Impairment of goodwill	-	2,059
Exchange differences	6	(4)
	<u></u>	<u></u>

## Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (*continued*)

### 5 Staff costs

Staff costs (including directors) consist of:

	2019 £'000	2018 £'000
Wages and salaries	1,885	1,900
Social security costs	253	237
Cost of defined contribution scheme	70	64
	<u>2,208</u>	<u>2,201</u>

The monthly average number of employees (including directors) during the year was as follows:

	2019 Number	2018 Number
Sales and distribution	20	21
Production	40	40
Administration	12	18
	<u>72</u>	<u>79</u>

### 6 Directors' emoluments

	2019 £'000	2018 £'000
Directors' emoluments	161	143
	<u>161</u>	<u>143</u>
Company contributions to money purchase schemes	21	18

There was one director in the company's defined contribution pension scheme during the year (2018 - one).

No directors exercised share options during 2019 (2018 - none).

RSUs held by one director vested during 2019 (2018 - one).

## Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (*continued*)

<b>7 Interest receivable</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Interest received on loan balance from parent company	109	108
	<hr/>	<hr/>
<b>8 Taxation on profit from ordinary activities</b>	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax</i>		
Current tax on loss for the year	-	-
Adjustments in respect of previous periods	-	-
	<hr/>	<hr/>
Total current tax charge/(credit)	-	-
<i>Deferred tax</i>		
Origination and reversal of timing differences	(14)	(14)
	<hr/>	<hr/>
Total deferred tax charge/(credit)	(14)	(14)
	<hr/>	<hr/>
Taxation on loss on ordinary activities	(14)	(14)
	<hr/>	<hr/>
	<b>2019</b>	<b>2018</b>
	<b>£'000</b>	<b>£'000</b>
Loss on ordinary activities before taxation	(728)	(4,174)
	<hr/>	<hr/>
Loss on ordinary activities at the rate of corporation tax in the UK of 19% (2018 - 19%)	(138)	(793)
Expenses not deductible for tax purposes	4	2
Fixed asset differences	-	391
Adjust opening and closing deferred tax to average rate of 19%	14	42
Deferred tax not recognised	106	344
	<hr/>	<hr/>
Total tax credit for the year	(14)	(14)
	<hr/>	<hr/>

From 1 April 2017 the tax charge decreased from 20% to 19%. For the year ending 31 March 2019 a rate of 19% has been applied to the period.

On 6 September 2016 Parliament substantively enacted a corporation tax rate of 17% to apply from 1 April 2020. Deferred tax has been provided at the rate at which it is expected the relevant timing differences will reverse.

## Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 *(continued)*

### 9 Intangible fixed assets

	Goodwill £'000
<i>Cost</i>	
At 1 April 2018 and 31 March 2019	6,000
<i>Amortisation</i>	
At 1 April 2018 and 31 March 2019	6,000
<i>Net book value</i>	
At 31 March 2018 and 31 March 2019	-

### 10 Tangible fixed assets

	Leasehold improvements £'000	Plant, machinery and equipment £'000	Computer hardware and software £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At 1 April 2018	200	319	361	128	1,008
Additions	-	16	3	-	19
Disposals	-	-	-	(41)	(41)
At 31 March 2019	200	335	364	87	986
<i>Depreciation</i>					
At 1 April 2018	102	227	286	123	738
Provided for the year	51	52	25	5	133
Disposals	-	-	-	(41)	(41)
At 31 March 2019	153	279	311	87	830
<i>Net book value</i>					
At 31 March 2019	47	56	53	-	156
At 31 March 2018	98	92	75	5	270

## Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

### 11 Stocks

	2019 £'000	2018 £'000
Finished goods	2	-

The replacement cost of these items would not be materially different to the value stated above.

### 12 Debtors

	2019 £'000	2018 £'000
Trade debtors	3,729	3,731
Amounts due by group undertakings	3,758	3,610
Amounts recoverable on contracts	754	1,218
Other debtors	21	1
Prepayments and accrued income	442	226
Corporation tax	139	140
	<u>8,843</u>	<u>8,926</u>

Amounts credited/charged in the statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £16,080 (2018 - £13,763).

All amounts shown under debtors fall due for payment within one year.

### 13 Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	1,077	1,548
Amounts due to group undertakings	826	684
Other taxation and social security	217	256
Other creditors	50	2
Long term contract balances	254	273
Accruals and deferred income	749	499
	<u>3,173</u>	<u>3,262</u>

The company operates a defined contribution pension scheme for the benefit of participating permanent employees. The funds of the scheme are administered by the Trustees and are separate from the company. The unpaid contributions outstanding at the year end, included in "accruals and deferred income" (above), are £14,691 (2018 - £16,250).

## Black Box Network Services (UK) Limited

Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)

### 14 Provision for liabilities

	Deferred taxation £'000	Restructuring Provision £'000	Dilapidations £'000	Total £'000
At 1 April 2018	28	-	167	195
Credited to the statement of comprehensive income	(14)	-	(55)	(69)
Provisions made during the year	-	212	-	212
	<u>14</u>	<u>212</u>	<u>112</u>	<u>338</u>
At 31 March 2019				

The deferred tax liability relates to depreciation in excess of capital allowances.

Due to centralization of the Purchasing and Warehousing activities to the Shared Service Centre in the Netherlands, which was completed in FY18, the warehouse facility in UK was no longer utilized and the contract had been recognized as onerous. Future costs until the expiration date of the contract as well as dilapidation costs related to this facility have been recognized as a restructuring provision.

As at 31 March 2019, there was an unprovided deferred tax asset of £449,356 (2018: £343,812) relating to unutilised trading losses of £2,643,274 (2018: £2,038,872).

### 15 Share capital

	Allotted, called up and fully paid			
	2019 Number	2019 £'000	2018 Number	2018 £'000
Ordinary shares of £1 each	620,027	620	620,027	620

### 16 Commitments under operating leases

As at 31 March 2019 the company had total future minimum lease payments under non-cancellable operating leases as set out below:

	2019 Land and buildings £'000	2019 Other £'000	2018 Land and buildings £'000	2018 Other £'000
Not later than one year	219	23	227	52
Later than one year and not later than five years	113	8	331	32
	<u>332</u>	<u>31</u>	<u>558</u>	<u>84</u>

## **Black Box Network Services (UK) Limited**

**Notes forming part of the financial statements  
for the year ended 31 March 2019 (continued)**

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### **17 Related party transactions**

The company has taken advantage of the exemption conferred by FRS 102 section 33 "Related Party Disclosures" not to disclose transactions with members of the Black Box Corporation group on the grounds that 100% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

### **18 Parent undertaking and controlling party**

The directors regard AGC Networks Limited, a company incorporated and headquartered in Mumbai, India, as the ultimate parent company and the ultimate controlling party.

AGC Networks Limited is the parent company of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the consolidated group accounts are available from AGC Networks Limited, Equinox Business Park, Off Bandra Kurla Complex, LBS Marg, Kurla (West), Mumbai, India.

The financial statements of the company are included in the consolidated financial statements of BBX Inc., which are included in the consolidated financial statements of AGC Networks Limited. The said financials of AGC Networks Limited, are filed with the Registrar of Companies, Ministry of Corporate Affairs as well as the Stock Exchanges, i.e. BSE Limited and The National Stock Exchange of India Limited.