

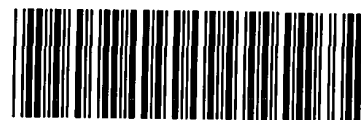
# **NetCracker Technology EMEA Limited**

**Registered number: 02412849**

**Annual Report and Financial Statements**

**31 March 2018**

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## NetCracker Technology EMEA Limited

Annual report and financial statements

31 March 2018

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### **Directors**

Andrew M Feinberg

Michael A Feinberg

### **Auditor**

KPMG LLP

Chartered Accountants

Botanic House

100 Hills Road

Cambridge

CB2 1AR

### **Bankers**

Royal Bank of Scotland

First Floor

Conqueror House

Vision Park

Chivers Way

Histon

Cambridge

CB4 9BY

Citibank

600 Citibank NA London branch

Global Subsidiaries Group

11F Citigroup Centre

25 Canada Square

Canary Wharf

London

E14 5LB

### **Registered Office**

Building 2010

Cambourne Business Park

Cambourne

Cambridgeshire

CB23 6DW

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## Strategic report

### Principal activity, review of the business and future developments

The company's principal activities are marketing, development and support of billing and operational software together with associated services. The company's key financial and other performance indicators during the period were as follows:

	2018 £'000	2017 £'000	Change %
Turnover	85,994	74,994	15%
Operating profit	6,061	18,206	(67%)
Profit after tax	4,420	15,490	(71%)
Shareholders' funds	24,278	34,669	(30%)
Current assets as % of current liabilities	150%	183%	(33%)
Gross margin, %	18%	32%	(14%)
Operating Profit, %	7%	24%	(17%)
Average number of employees	165	146	13%

The company turnover showed £11 million or 15% growth in 2018 which is consistent from last year (2017: £11.2 million or 18%). This was attributable to an increase in professional services and software maintenance of £21.6 million, conversely charges to affiliated group companies for subcontracted work decreased by £9.3 million due to the updated intercompany policy.

Costs attributable to the above turnover increased mainly due to increased intercompany expense (by £17.4M or 49% to prior year). The main cause is the start of direct billing from India group company and Israel group company turnover which has been adjusted in prior year.

Operating profit reduced by 67% mostly due to the above mentioned cost changes. Profit after tax is 71% lower than in 2017, due to intercompany costs.

The average number of employees grew by 19 to 165 in 2018, as the company transferred over 16 employees from India to cover Middle Eastern projects.

The directors aim to maintain management policies which will stabilise the company's trading environment and provide foundations for future growth.

## Strategic report (continued)

### Principal risks and uncertainties

#### *Competitive risk*

The company is reliant on contracts which are subject to periodic review and competitive tender. Renewal of these contracts is uncertain and based on financial and performance criteria.

### Financial risk management policy

The company's principal financial investments comprise cash and inter-group loans. Other financial assets and liabilities arise directly from the company's operating activities.

The main risks associated with the company's financial assets and liabilities are set out below. The company does not undertake any hedging activity locally. Significant financial risks from a NetCracker Corporation perspective are addressed on a case-by-case basis at group level.

#### *Interest rate risk*

The company invests surplus cash in a bank current account. The company's borrowings are from the parent undertaking. Interest is charged quarterly based on the inter-bank lending rate. As all interest is between group companies the directors do not feel a significant risk exists.

#### *Price risk*

The company's main costs relate to wages and salaries therefore the directors do not feel there is any significant risk from increasing prices.

#### *Credit risk*

Company policies are aimed at minimising such losses and require that deferred terms are only granted to customers who demonstrate appropriate credit worthiness. The company's clients are mainly blue chip companies which the directors feel considerably reduces the risk of default.

#### *Liquidity risk*

The parent undertaking reduces the liquidity risk for the company by providing flexibility over repayment and the availability of inter-company funding.

#### *Foreign currency risk*

The Company has a deposit arrangement with a financial subsidiary of its Group company. These deposits are denominated in US dollars and Euros, at 31 of March 2018 amount combine from \$4.3 million United States Dollars (2017: \$24.1 million) and €10.5 million Euros (2017: zero).

In addition, a significant number of its customer contracts are denominated in foreign currencies. At the end of the period the total trade debtors outstanding was £15.2 million of which £2.3 million was denominated in United States Dollars and £9.2 million was denominated in Euros (2017: £19.8 million of which £11.4 million was denominated in United States Dollars and £4.8 million was denominated in Euros). This may result in a foreign exchange gain or loss on settlement. Management believe that the existing currency basket allows reasonable insurance against significant foreign exchange gains or losses and therefore no additional hedging is required. The company will also be provided with support from group where required.

The Company believes it will be stable after Brexit. This conclusion is based on the following factors: more than a half of Company's revenue contracts are denominated in Euro and US dollars while only half of the costs are denominated in British Pounds. So, if the Pound were to become depressed the Company has the advantage of stable currency basket.

By order of the Board



Andrew M Feinberg  
Director

Date: *October 29, 2018*

## Directors' report

The directors present their Annual Report and the company's financial statements for the year ended 31 March 2018.

### Results and dividends

The profit for the year ended 31 March 2018, after taxation, amounted to £4,420,000 (2017: £15,490,000). The directors declared a dividend in amount £14,811,600 (no dividends paid in 2017).

### Directors

The directors who held office during the year were as follows:

Michael Feinberg

Andrew Feinberg

### Political and charitable contributions

Neither the Company nor any of its subsidiaries made any political or charitable donations or incurred any political expenditure during the period.

### Creditor payment policy and practice

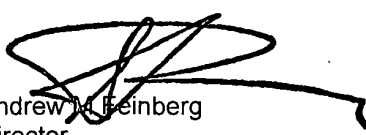
It is the company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the company and its suppliers, provided that all trading terms and conditions have been complied with. At 31 March 2018, the company had an average of 10 days (2017: 10 days) purchases outstanding in trade creditors.

### Disclosure of information to auditor

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

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

By order of the Board

  
Andrew M. Feinberg  
Director  
Building 2010  
Cambourne Business Park  
Cambourne  
Cambridgeshire

*October 29, 2018*

CB23 6DW

Date: *October 29, 2018*

## **Statement of directors' responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



# **Independent auditor's report to the members of NetCracker Technology EMEA Limited**

## **Opinion**

We have audited the financial statements of NetCracker Technology EMEA Limited ("the company") for the year ended 31 March 2018 which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet and Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

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

## **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Strategic report and directors' report**

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

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

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

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

We have nothing to report in these respects.

## NetCracker Technology EMEA Limited

Annual report and financial statements

31 March 2018

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### **Directors' responsibilities**

As explained more fully in their statement set out on page 8, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

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

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



Richard Bartlett-Rawlings (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

Botanic House

100 Hills Road

Cambridge

CB2 1AR

31 October 2018

## Profit and Loss Account and Other Comprehensive Income

	Notes	2018 £'000	2017 £'000
<b>Turnover</b>	2	85,994	74,994
Cost of sales		(70,642)	(50,842)
<b>Gross profit</b>		15,352	24,152
Sales and marketing expenses		(4,278)	(4,271)
Administrative expenses		(5,013)	(1,675)
<b>Operating profit</b>	3	6,061	18,206
Interest receivable and similar income	6	292	194
Interest payable and similar expense	7	(197)	(171)
<b>Profit before taxation</b>		6,156	18,229
Tax on profit	8	(1,736)	(2,739)
<b>Profit for the financial year</b>		4,420	15,490

All amounts relate to continuing activities.

There are no other items of comprehensive income other than those included in the above profit and loss account; accordingly profit for the financial year is also total comprehensive income for the year.

The notes on pages 13 to 25 form an integral part of these financial statements.

## Balance Sheet

as at 31 March 2018

	Notes	2018 £'000	2017 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	282	287
Investments	10	8,139	8,139
		<u>8,421</u>	<u>8,426</u>
<b>Current assets</b>			
Debtors	11	38,526	37,118
Cash at bank and in hand		16,581	23,526
		<u>55,107</u>	<u>60,644</u>
<b>Creditors: amounts falling due within one year</b>	12	(36,816)	(33,128)
<b>Net current assets</b>		<u>18,291</u>	<u>27,516</u>
<b>Total assets less current liabilities</b>		26,712	35,942
<b>Creditors: amounts falling due after more than one year</b>			
Provisions for liabilities	13	(2,434)	(1,273)
<b>Net assets</b>		<u>24,278</u>	<u>34,669</u>
<b>Capital and reserves</b>			
Called up share capital	14	11	11
Profit and loss account		24,267	34,658
<b>Shareholder's funds</b>		<u>24,278</u>	<u>34,669</u>

The notes on pages 13 to 25 form an integral part of these financial statements.

These financial statements were approved by the board of directors on \_\_\_\_\_ and signed on its behalf by

Andrew M. Halberg

Director

Company registered number 02412849

Date *October 29, 2018*

## Statement of Changes in Equity

	<i>Share capital £'000</i>	<i>Profit and loss account £'000</i>	<i>Share- holders' funds £'000</i>
<b>Balance at 1 April 2016</b>	11	19,168	19,179
Profit for period	-	15,490	15,490
<b>Balance at 31 March 2017</b>	11	34,658	34,669
Profit for period	-	4,420	4,420
Dividends paid	-	(14,811)	(14,811)
<b>Balance at 31 March 2018</b>	11	24,267	24,278

The notes on pages 13 to 25 form an integral part of these financial statements.

## Notes (forming part of the financial statements)

as at and for the year ending 31 March 2018

### 1. Accounting policies

NetCracker Technology EMEA Ltd is a private company incorporated and domiciled in the UK. The registered number is 2412849 and the registered address is Building 2010, Cambourne business park, Cambourne, Cambridgeshire, CB23 6DW.

The Company is exempt by virtue of section 401 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Financial statements prepared in line with FRS 101 for all the years presented.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;

The Company's ultimate parent undertaking, NEC Corporation, includes the Company in its consolidated financial statements. The consolidated financial statements of NEC Corporation are prepared in accordance with International Reporting Standards and are available to the public and may be obtained on their website <http://www.nec.com>.

As the consolidated financial statements of NEC Corporation include the equivalent disclosures, the company has also taken the exemptions under FRS 101 available in respect of the certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures.

The Company proposes to continue using the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 IFRS balance sheet at 1 April 2015 for the purposes of the transition to FRS 101.

#### 1.1 Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

### 1. Accounting policies (continued)

## Notes (continued)

as at and for the year ending 31 March 2018

### 1. Accounting policies (continued)

#### 1.2 Going Concern

At 31 March 2018, the company has net current assets of £18,291,000 (2017: £27,516,000). The majority of the creditors payable by the company and quarter of debtors due to the company, at the year-end are with related undertakings. The directors have therefore concluded that it is appropriate to prepare the accounts on the going concern basis.

#### 1.3 Tangible fixed assets and depreciation

All fixed assets are initially recorded at cost.

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 expected useful life as follows:

Short term leasehold property improvements if shorter)	–	4 to 7 years straight line (or lease term
Computer equipment	–	3 to 4 years straight line
Fixtures and fittings	–	4 to 6 years straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### 1.4 Research and development

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

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve a plan or design for the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

#### 1.5 Investments

Investments are stated at cost less any provision for impairment. The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 1.6 Trade and other debtors

Trade and other debtors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

#### 1.7 Trade and other creditors

Trade and other creditors are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

## Notes (continued)

as at and for the year ending 31 March 2018

### 1. Accounting policies (continued)

#### 1.8 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits.

#### 1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### 1.10 Taxation

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

#### 1.11 Revenue recognition policy

Revenue is recognised only when there is evidence of an arrangement and the company determines that the fee is fixed and determinable and collection of the fee included in the arrangement is considered probable. When determining whether the fee is considered fixed and determinable and collection is probable, the company considers a number of factors including the credit worthiness of the client and the contractual payment terms. If a client is not considered creditworthy, all revenue under arrangements with that client is recognised upon receipt of cash. If payment terms extend beyond what is considered customary or standard in the related industry and geographic location, the related fees are considered extended and deferred until they become due and payable.

When significant customisation or modification of the software and the development of complex interfaces are required to meet the client's functionality, the related professional and consulting revenue is recognised together with the licence fee using the percentage of completion method, as the professional and consulting services provided in connection with licence arrangements are considered to be essential. When the professional and consulting services provided in connection with licence arrangements are not considered essential the revenues are recognised as the related services are delivered.

The company is typically engaged to provide support and maintenance services in connection with its licence arrangements. Revenues for support and maintenance services are recognised on a straight line basis over the term of the agreement. For these multiple element arrangements, the company allocates the contract value to the elements based on fair value of the individual elements. Fair value is determined using the normal pricing for these elements when sold separately. For a limited number of its licence arrangements, the company does not have sufficient evidence of fair value of its undelivered elements, principally related to support and maintenance. As a result, revenue for the entire arrangement, including licence fees and related professional and consulting fees, is deferred and recognised over the term of the support and maintenance period.



## Notes (continued)

as at and for the year ending 31 March 2018

### 1. Accounting policies (continued)

#### 1.11 Revenue recognition policy (continued)

Long term contracts, those contracts in excess of one year in duration, are accounted for using the percent complete method. The amount of revenue recognised being the same proportion of total contract revenue as the proportion of cost incurred at the balance sheet date to the total expected contract cost. Where a loss is anticipated on a project the total expected loss is recorded when it is forecast.

#### 1.12 Expenses

##### *Operating leases*

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit and loss account as an integral part of the total lease expense.

##### *Interest receivable, Interest payable and Dividend income*

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset. Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established.

##### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward exchange contract. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate. All differences are taken to the profit and loss account. Foreign currency gains and losses are reported on a net basis.

##### *Pensions*

The company contributes into a number of money purchase pension schemes. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

#### 1.13 Cash flow statement

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of Cash Flow Statement and related notes. A group cash flow statement is included in the financial statements of NEC, the ultimate parent company as at 31 March 2018.

#### 1.14 Related party disclosures

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of disclosures in respect of transactions with subsidiaries that were wholly owned by the NEC Corporation, the ultimate parent company as at 31 March 2018.

## Notes (continued)

as at and for the year ending 31 March 2018

### 2. Turnover

Turnover, which is stated net of value added tax, is attributable to the development and support of billing software together with associated services.

An analysis of turnover by geographical market is given below:

	2018 £'000	2017 £'000
Other European countries	45,053	31,044
United Kingdom	20,820	17,427
Middle East	9,849	10,600
Africa	(450)	3,090
USA	4,755	12,581
Latin America	5,905	-
Asia Pacific	62	252
	<u>85,994</u>	<u>74,994</u>

Revenues totalling £3,977,578 (2017: £13,318,565) were derived from trade with other group entities.

### 3. Operating profit

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2018 £'000	2017 £'000
Auditor's remuneration – audit of statutory accounts	72	58
Auditor's remuneration – tax services and consulting	88	53
Depreciation	205	221
Operating leases rentals – land and buildings	1,195	805
Foreign exchange losses/(gains)	2,431	(790)
	<u>4,091</u>	<u>1,347</u>

### 4. Directors' emoluments

None of the directors were remunerated primarily for their services to the Company, and it is not possible to determine the proportion of remuneration which relates to this Company. The directors are employed by NetCracker Technology Corporation, the parent company, and the emoluments are paid by parent company.

No retirement benefits have been accrued to any of the directors (2017: £nil) under the group defined benefit pension scheme.

## Notes (continued)

as at and for the year ending 31 March 2018

### 5. Staff costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	2018 No.	2017 No.
General and administrative staff	13	14
Technical staff	140	118
Sales and marketing staff	12	14
	<u>165</u>	<u>146</u>

The aggregate payroll costs of these persons were as follows:

	2018 £'000	2017 £'000
Wages and salaries	11,841	10,935
Social security costs	1,686	1,517
Pension costs (note 15)	720	659
	<u>14,247</u>	<u>13,111</u>

### 6. Interest receivable and similar income

	2018 £'000	2017 £'000
Intercompany loan interest	134	136
Deposit interest	154	58
Interest on income tax prepaid	4	-
	<u>292</u>	<u>194</u>

### 7. Interest payable and similar expense

	2018 £'000	2017 £'000
Intercompany loan interest	197	171
	<u>197</u>	<u>171</u>

## Notes (continued)

as at and for the year ending 31 March 2018

### 8. Tax

#### *Tax on profit on ordinary activities*

The tax charge is made up as follows:

	2018 £'000	2017 £'000
UK corporation tax:		
Current tax on income for the period	1,295	3,596
(Over) - provision in respect of prior period	(1,675)	(1,034)
R&D credits	(311)	-
Group relief refund	715	-
Double taxation relief	(1,239)	(536)
	<u>(1,215)</u>	<u>2,026</u>
Foreign tax:		
Withholding tax written-off	2,942	619
	<u>1,727</u>	<u>2,645</u>
Total current tax charge	9	94
Deferred tax		
	<u>1,736</u>	<u>2,739</u>

#### *Factors affecting current tax charge*

The tax assessed on the profit on ordinary activities for the period differs from the standard rate of corporation tax in the UK of 19.0% (2017: 20.0%). The differences are reconciled below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	6,156	18,229
Profit on ordinary activities multiplied by standard rate of		
Corporation tax in the UK of 19% (2017: 20.0%)	1,170	3,646
Permanent differences	134	28
R&D credits	(311)	-
Withholding tax written-off	1,703	83
Capital allowances in excess of depreciation	-	4
Adjustments in respect of prior periods	(1,675)	(1,034)
Group relief refund	715	-
Deferred tax adjustment to average rate (19%)	-	12
	<u>1,736</u>	<u>2,739</u>
Total current tax charge		

## Notes (continued)

as at and for the year ending 31 March 2018

### 8. Tax (continued)

#### Deferred taxation

Deferred taxation assets provided in the accounts and the amounts not provided are as follows:

	Provided		Not provided	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Difference between accumulated depreciation and amortisation and capital allowances	(291)	(326)	-	-
Short-term timing differences	(36)	(10)	-	-
Tax losses	-	-	-	-
	<u>(327)</u>	<u>(336)</u>	<u>-</u>	<u>-</u>

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) were substantively enacted on 26 October 2015. Further reduction to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2017. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2018 has been calculated based on the rate of 17% that was substantively enacted at the balance sheet date.

The movement in the provided deferred tax asset in the year is as follows

	£'000
At 1 April 2017	(336)
Amount debited to profit and loss account	9
At 31 March 2018	<u>(327)</u>

## Notes (continued)

as at and for the year ending 31 March 2018

### 9. Tangible fixed assets

	<i>Short term leasehold property improvements</i>	<i>Computer equipment</i>	<i>Fixtures and fittings</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
<b>Cost</b>				
At 1 April 2017	290	1,646	1,490	3,426
Additions	10	150	-	160
Disposals	-	(76)	-	(76)
At 31 March 2018	300	1,720	1,490	3,510
<b>Depreciation</b>				
At 1 April 2017	192	1,507	1,440	3,139
Charge for the year	61	94	50	205
Accelerated depreciation	(36)	(4)	-	(40)
Disposals	-	(76)	-	(76)
At 31 March 2018	217	1,521	1,490	3,228
<b>Net book value</b>				
At 1 April 2017	98	139	50	287
At 31 March 2018	83	199	-	282

### 10. Investments

	<i>Associate undertakings</i>	<i>Subsidiary undertakings</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost and net book value:			
At 1 April 2017	2,023	6,116	8,139
At 31 March 2018	2,023	6,116	8,139

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are:

## Notes (continued)

as at and for the year ending 31 March 2018

### 10. Investments (continued)

<i>Subsidiary undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
NetCracker Technology Egypt LLC, Raya View Building # B98, 1st floor – room 105, 28 km Cairo-Alex Desert Rd. 6th of October City Cairo, Egypt	Egypt	Sales and marketing of billing software	99% owned (495 ordinary shares at EGP 100 per share)
Coraltree Systems Holding Limited, 2010 Cambourne Business Park, Cambourne, CB23 6DW Cambridge, UK	UK	Engineering and sales of billing software	100% owned (437 ordinary shares at nominal value of £1 per share)
<i>Associated undertakings</i>	<i>Country of incorporation</i>	<i>Principal activity</i>	<i>Class and percentage of shares held</i>
NetCracker Technology Solutions Limited, 25 E'fal St. Petach Tikva, Israel 4951125	Israel	Sales and marketing of billing software	30% owned (1,484,020 shares at a nominal value of £0.0005 per share)

In prior year the Company acquired CoralTree Systems Holdings Ltd., a UK based company, which holds 100% share of Coraltree Systems Limited, for £6.1 million. CoralTree Systems Limited is a subcontractor of the Company's serving a German customer. The acquisition was done primarily to capture existing revenue and profit stream.

### 11. Debtors

	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Trade debtors	15,020	19,530
Amounts owed from group undertakings	8,278	7,026
Prepayments	1,203	831
Accrued income	10,165	8,909
Corporation tax	3,533	486
Deferred tax	327	336
	<u>38,526</u>	<u>37,118</u>

## Notes (continued)

as at and for the year ending 31 March 2018

### 12. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Trade creditors	1	249
Amounts owed to group undertakings	27,113	18,660
Other taxes and social security costs	104	116
Other creditors	740	826
Accruals	2,015	1,924
Deferred income	6,843	11,353
	<u>36,816</u>	<u>33,128</u>

### 13. Provisions for liabilities

	<i>Dilapidations provision £'000</i>	<i>Provision for onerous leases £'000</i>	<i>Total £'000</i>
At 1 April 2017	542	731	1,273
Utilised during period	-	(416)	(416)
Accrued during period	897	680	1,577
At 31 March 2018	<u>1,439</u>	<u>995</u>	<u>2,434</u>

The provision for onerous leases relates to a property in Cambourne, building 1020, that is in partial use, but the company continues to fulfil its obligations under the terms of the lease agreement which expires in 2021. The dilapidations provision is an accrual for Building 2010 in Cambourne, which agreed to close obligations on 30 May 2018. Only partial sublease was contracted after 30 May 2018.

### 14. Share capital

	2018 £'000	2017 £'000
Authorised: 32,000,000 Ordinary shares at 0.05p each	<u>16</u>	<u>16</u>
	2018 £'000	2017 £'000
Allotted, called up and fully paid: 21,314,476 Ordinary shares at 0.05p each	<u>11</u>	<u>11</u>
	<u>11</u>	<u>11</u>



## Notes (continued)

as at and for the year ending 31 March 2018

### 15. Pension commitments

The company contributes into a number of money purchase schemes. The pension cost charge for the period represents contributions payable by the company into the various plans and amounted to £720,000 (2017: £659,000).

There were no outstanding or prepaid contributions at either the beginning or end of the financial period.

### 16. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	<i>Land and buildings</i>	
	<i>2018</i>	<i>2017</i>
	<i>£'000</i>	<i>£'000</i>
Within one year	893	1,305
In two to five years	1,503	3,266
In more than five years	56	-
	<u>2,452</u>	<u>4,571</u>
	<u><u>2,452</u></u>	<u><u>4,571</u></u>

The company rents two buildings in Cambourne with non-cancellable leases ending in 2021. Building 1020 has a provision for an onerous lease, this liability is reflected in Note 13. Rent of whole Building 2010 has been closed on 30 May 2018 and company now only rents 30% of building with the same term. Therefore future costs have decreased.

Office space is also rented in London, Edinburgh, Fareham, Amsterdam and Qatar, based on one to two year agreements.

During the year £1,195,000 was recognized as an expense in profit and loss account in respect of operating leases (2017: £805,000).

## Notes (continued)

as at and for the year ending 31 March 2018

### 17. Related parties

#### *Transactions with key management personnel*

There are no transactions with key management personnel and their immediate relatives during the year.

#### *Other related party transactions*

	<i>Sales to</i>		<i>Expenses incurred from</i>	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Parent	4,415	9,094	1,421	8,115
Subsidiaries	(840)	840	4,869	3,157
Associates	-	-	8,357	(630)
Other related parties	402	3,385	39,212	25,802
	<u>3,977</u>	<u>13,319</u>	<u>53,859</u>	<u>36,444</u>
	<u><u>3,977</u></u>	<u><u>13,319</u></u>	<u><u>53,859</u></u>	<u><u>36,444</u></u>

	<i>Receivables outstanding</i>		<i>Creditors outstanding</i>	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Parent	3,290	676	-	-
Subsidiaries	-	878	3,321	1,074
Associates	-	-	9,333	6,579
Other related parties	4,988	5,472	14,459	11,007
	<u>8,278</u>	<u>7,026</u>	<u>27,113</u>	<u>18,660</u>
	<u><u>8,278</u></u>	<u><u>7,026</u></u>	<u><u>27,113</u></u>	<u><u>18,660</u></u>

### 18. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking at 31 March 2018 was NetCracker Technology Corporation, a company incorporated in the United States of America, registered address University Office Park III, 95 Sawyer Road, Waltham, MA 02453. The company's ultimate parent undertaking and controlling party as at 31 March 2018 was NEC Corporation, a company incorporated in Japan. Financial statements of NEC Corporation, registered office, 7-1, Shiba 5-chome, Minato-ku, Tokyo 108-8001, Japan, are available from its website [www.nec.com](http://www.nec.com).