Company Registration No. 09059484

MITEL EUROPE LIMITED

Annual Report and Financial Statements

for the year ended 31 December 2018

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ANNUAL REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2018

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OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C J Evans
G J Hiscock
R E Hodgetts
S Taylor

SECRETARY

G J Hiscock

REGISTERED OFFICE

Castlegate Business Park
Caldicot
Monmouthshire
NP26 5YR
United Kingdom

BANKERS

HSBC plc
4th Floor
3 Temple Quay
Temple Back East
Bristol
BS1 6DZ
United Kingdom

SOLICITORS

Taylor Wessing
5 New Street Square
London EC4A 3TW
United Kingdom

AUDITOR

Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom

STRATEGIC REPORT

BUSINESS REVIEW

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2018.

The audited financial statements for the year ended 31 December 2018 are set out in the attached financial statements.

Mitel Europe Limited operates as a holding company for the EMEA region within the Mitel group of companies and charges management fees to its subsidiary holdings for services provided.

The company made a profit of £8,216,000 in the year (2017 – £2,246,000 loss).

As part of a group restructure following the acquisition by affiliates of Searchlight Capital Partners, L.P. on 30 November 2018, the company sold certain investments to a fellow group company, see note 9, resulting in a profit on the sale of £10,187,000.

FUTURE DEVELOPMENTS

It is anticipated that the company will continue to exist as a service provider to subsidiary holdings for the foreseeable future.

Following the result of the EU referendum, in which the UK voted to leave the European Union, there is a general level of economic uncertainty. Management are monitoring the situation closely in order to be able to respond to any changes in the political and economic climate.

KEY PERFORMANCE INDICATORS

Given the nature of the company, there are no key performance indicators that the directors feel are specific to this entity.

PRINCIPAL RISKS AND UNCERTAINTIES

The main financial risk is the carrying value of the investments in the company's subsidiaries. The directors prepare annual impairment reviews in order to ascertain whether impairment is required against the investments.

GOING CONCERN

The company's financial statements as at and for the year to 31 December 2018 have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" applicable to a going concern, which assumes that the company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The company is a wholly-owned subsidiary within the Mitel group of companies, which, as from 30 November 2018, is headed by MLN TopCo Limited. Mitel Europe Limited has limited financial obligations within the next 12 months.

The company has generated an operating loss, however the directors are confident of the support of the management of the Mitel group of companies and have received a letter of support from Mitel Networks (International) Limited.

The directors, having assessed the responses of the directors of MLN TopCo Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Mitel group to continue as a going concern. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the report and accounts.

Approved by the Board of Directors
and signed on behalf of the Board

R E Hodgetts
Director
20 September 2019

DIRECTORS' REPORT

The directors present their Annual Report and the audited financial statements for the year ended 31 December 2018.

ACCOUNTING PERIOD

These financial statements are for the year ended 31 December 2018. The comparative results are for the year ended 31 December 2017.

DIVIDENDS

No dividend was paid during the year (2017 - £nil), and no dividends have been paid or proposed after the balance sheet date.

DIRECTORS

The directors of the company, who served throughout the financial year and subsequently, are as follows.

G J Hiscock
C J Evans
R E Hodgetts
S Taylor

DIRECTORS' INDEMNITIES

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

FUTURE DEVELOPMENTS

Details of future developments can be found in the Strategic Report.

SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Given the nature of the company, the main financial risk is the carrying value of the investment in its subsidiaries. The directors prepare annual impairment reviews in order to ascertain whether an impairment is required against its investments.

Other financial risks include:

Credit risk
The company's financial assets that are exposed to credit risk consist primarily of cash at bank and in hand, and accounts receivable and other receivables. Cash and cash equivalents are invested in government and commercial paper with investment grade listing. The majority of receivables are with other group companies and as such, this risk is limited.

Liquidity risk
The company's liquidity risk arises from its net current liability position. The risk is limited because the majority of the company's current liabilities are with other group companies.

DIRECTORS' REPORT (continued)

AUDITOR

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

- so far as each of the directors is aware, there is no relevant audit information of which the company's auditor is unaware; and
- each of the directors 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.

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

A resolution to reappoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

R E Hodgetts
Director
20 September 2019

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 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;
- 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MITEL EUROPE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Mitel Europe Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- The profit and loss account;
- the balance sheet;
- the statement of changes in equity;
- the statement of accounting policies; and
- the related notes 1 to 16.

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).

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 Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MITEL EUROPE LIMITED (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual 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.

We have nothing to report in respect of these matters.

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 on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 or] the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF MITEL EUROPE LIMITED (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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 respect of these matters.

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.

Andrew Woodhead (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Cardiff, United Kingdom
20 September 2019

PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
TURNOVER	3	4,414	1,665
Administrative expenses		(5,631)	(2,846)
OPERATING LOSS		(1,217)	(1,181)
Amounts written off investments		(1,284)	(799)
Net finance income/(costs)	4	728	(375)
Profit from sale of fixed asset investments		10,187	-
PROFIT/(LOSS) BEFORE TAXATION	6	8,414	(2,355)
Tax on profit/(loss)	7	(198)	109
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		8,216	(2,246)

All activities derive from continuing operations.

There have been no recognised gains and losses for the current financial year or the prior financial year other than as stated in the profit and loss account and, accordingly, no separate statement of comprehensive income is presented.

The notes on pages 12 to 23 form part of these financial statements.

BALANCE SHEET
At 31 December 2018

	Note	2018 £'000	2017 £'000
FIXED ASSETS			
Investments	9	148,819	176,482
CURRENT ASSETS			
Debtors due within one year	10	16,733	3,791
Debtors due after more than one year	10	25,804	-
Cash at bank and in hand		455	363
		42,992	4,154
CREDITORS: amounts falling due within one year	12	(14,201)	(12,824)
NET CURRENT ASSETS/(LIABILITIES)		28,791	(8,670)
TOTAL ASSETS LESS CURRENT LIABILITIES		177,610	167,812
CREDITORS: amounts falling due after more than one year	13	(11,472)	(11,197)
NET ASSETS		166,138	156,615
CAPITAL AND RESERVES			
Called-up share capital	14	2	2
Share premium account		13,736	12,429
Profit and loss account		152,400	144,184
SHAREHOLDER'S FUNDS		166,138	156,615

The financial statements of Mitel Europe Limited, registered number 09059484, were approved by the Board of Directors and authorised for issue on 20 September 2019.

Signed on behalf of the Board of Directors

R E Hodgetts
Director

STATEMENT OF CHANGES IN EQUITY
At 31 December 2018

	Note	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2017		2	12,429	146,356	158,787
Loss for the financial year, being the total comprehensive expense		-	-	(2,246)	(2,246)
Credit to equity for equity-settled share-based payment	15	-	-	74	74
At 31 December 2017		2	12,429	144,184	156,615
Issue of share capital	14	-	1,307	-	1,307
Profit for the financial year, being the total comprehensive expense		-	-	8,216	8,216
At 31 December 2018		2	13,736	152,400	166,138

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards. The particular accounting policies adopted, which have been applied consistently throughout the current financial year and the prior financial year, are described below.

Accounting convention

Mitel Europe Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the company's registered office is shown on page 1.

The principal activities of the company and the nature of the company's operations are set out in the Strategic Report.

The financial statements have been prepared under the historical cost convention and in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102").

The functional currency of Mitel Europe Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the company operates.

Exemptions

The company has taken advantage of the following exemptions available under FRS 102 as equivalent disclosures have been given in the consolidated financial statements of MLN TopCo Limited which include the results of Mitel Europe Limited:

- the exemption from preparing a statement of cash flows;
- the exemption from disclosing key management personnel compensation;
- the exemption from certain financial instrument disclosures;
- the exemption from disclosing share-based payment information; and
- the exemption from disclosing related party transactions.

The company has taken advantage of the exemption permitted by section 400 of the Companies Act 2006 and not produced consolidated financial statements as, at 31 December 2018, it was itself a wholly-owned subsidiary of MLN TopCo Limited. The financial statements therefore present information about the company as an individual undertaking and not about its group.

Copies of the consolidated financial statements of MLN TopCo Limited have been filed along with these financial statements.

Going concern

The company's financial statements for the year to 31 December 2018 have been prepared in accordance with United Kingdom Generally Accepted Accounting Principles applicable to a going concern, which assumes that the company will continue in operation for the foreseeable future and will be able to realise its assets and discharge its liabilities in the normal course of operations.

The company is a wholly-owned subsidiary within the Mitel group of companies, which is headed by MLN TopCo Limited. Mitel Europe Limited has limited financial obligations within the next 12 months.

The company has generated an operating loss, however the directors are confident of the support of the management of the Mitel group of companies and have received a letter of support from Mitel Networks (International) Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

The directors, having assessed the responses of the directors of MLN TopCo Limited to their enquiries, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Mitel group to continue as a going concern. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and, therefore, they continue to adopt the going concern basis in preparing the report and accounts.

Investments

Fixed asset investments are stated at cost less any provision for impairment.

Impairment of fixed asset investments

An asset is impaired when the present value of future cash flows, discounted at the group's weighted average cost of capital, is less than the asset's carrying value.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are initially measured at transaction price.

Financial assets and liabilities are only offset in the balance sheet when, and 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 separately.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest rate method, less any impairment. Interest income is recognised by applying the effective interest rate except for short-term receivables when the recognition of interest would be immaterial.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of the financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, or the net carrying amount on initial recognition.

Turnover

Turnover consists of management fees for services to its subsidiary companies. Turnover is recognised in the period in which the services are provided.

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

1. ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Dividend income

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the company and the amount of revenue can be measured reliably).

Share-based payments

The company has applied the requirements of FRS 102 Section 26 relating to share-based payment transactions.

Certain employees receive remuneration in the form of share-based payments, including shares in the ultimate parent Company, Mitel Networks Corporation. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market-based vesting conditions.

Fair value is measured by use of the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. As the options are over shares in Mitel Networks Corporation and equity settled, a capital contribution is also recorded.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying the company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Valuation of investments

The company carries out an annual impairment review of its investments. When assessing the valuation, the directors consider the past and budgeted future performance of the underlying entity. The directors use certain assumptions about its future performance, for example, the growth of the business and profitability. Estimates are also made in determining the group's weighted average cost of capital.

Key source of estimation uncertainty

Management do not consider there to be any key areas involving estimation uncertainty.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

3. TURNOVER

Turnover relates to one class of business and arises in the United Kingdom. Analysis of turnover by destination is stated below:

	2018 £'000	2017 £'000
United Kingdom	1,550	527
Rest of Europe	2,864	1,138
	4,414	1,665

All of the company's turnover is derived from the rendering of services.

4. NET FINANCE (INCOME)/COSTS

	2018 £'000	2017 £'000
Interest payable on loan note	21	21
Interest receivable on loan note	(172)	-
Foreign exchange loss/(gain)	(578)	352
Other finance costs	1	2
	(728)	375

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2018 £'000	2017 £'000
Employee costs (including directors' emoluments)		
Wages and salaries	2,588	973
Social security costs	322	133
Other pension costs	94	40
Share-based payments	102	74
	3,106	1,220

The average monthly number of employees during the year was made up as follows:

	No.	No.
Support	14	9

	£'000	£'000
Directors' remuneration		
Emoluments	448	361
Company contributions to money purchase pension scheme	20	7
	468	368

	No.	No.
The number of directors who:		
Are members of a money purchase pension scheme	3	4
Exercised options over shares	2	3
Had awards receivable in the form of shares under a long-term incentive scheme	3	-

	£'000	£'000
Amounts in respect of the highest paid director		
Emoluments	175	256
Company contributions to money purchase pension scheme	7	3
	182	259

The highest paid director exercised 2,375 restricted stock units during the year.

G J Hiscock is remunerated by other group companies for his services to the group as a whole. It is not practicable to allocate his remuneration between services to the company and to the group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

6. PROFIT/(LOSS) BEFORE TAX

	2018 £'000	2017 £'000
This is stated after charging/(crediting)		
Auditor's remuneration:		
- Fees payable to Deloitte LLP and their associates for the audit of the company's accounts	6	6
Foreign exchange (gain)/loss	(578)	351
Impairment of fixed asset investments	1,284	799

7. TAX ON PROFIT/(LOSS)

	2018 £'000	2017 £'000
Current tax on loss		
United Kingdom corporation tax:		
Current tax on income for the year	114	-
Adjustment in respect of prior periods	82	(104)
Total current tax	196	(104)
Deferred tax		
Deferred tax (Note 11)	2	(5)
Total tax on profit/(loss)	198	(109)

The difference between the total tax shown above and the amount calculated by applying the blended rate of UK corporation tax to the loss before tax is as follows:

	£'000	£'000
Profit/(loss) before tax	8,414	(2,355)
Tax on loss at standard UK corporation tax rate of 19% (2017 – 19.3%)	1,599	(454)
Effects of:		
Expenses not deductible for tax purposes	(1,483)	269
Group relief	-	79
Losses carried back	-	101
Adjustment in respect of prior period	82	(104)
Total tax expense for the year	198	(109)

The Finance Act 2017, which provided for the main rate of corporation tax to reduce to 19% from 1 April 2017, was substantively enacted on 6 September 2015.

The change in the corporation tax rate to 17% will not materially affect the future tax expense.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

8. DIVIDENDS

	2018 £'000	2017 £'000
Dividend paid	-	-

9. FIXED ASSET INVESTMENTS

	Subsidiary companies £'000
Cost	
At 1 January 2018	295,707
Additions	1,307
Disposals	(31,464)
At 31 December 2018	265,550
Provisions for impairment	
At 1 January 2018	119,225
Provision for impairment	1,284
Disposals	(3,778)
At 31 December 2018	116,731
Net book value	
At 31 December 2018	148,819
At 31 December 2017	176,482

A provision for impairment has been recognised against one of the company's investments as a result of a review of the business of the subsidiary.

The company has investments in the following subsidiary undertakings:

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

9. FIXED ASSET INVESTMENTS (continued)

	Registered office	Principal activity	Holding	%
Mitel Networks Holdings Limited	Castlegate Business Park, Portskewett. NP26 5YR UK	Holding company	Ordinary shares	100
Aastra Telecom (UK) Limited	Castlegate Business Park, Portskewett. NP26 5YR UK	Telecommunications	Ordinary shares	100
Mitel Deutschland GmbH (e)	Zeughofstrasse 1, 10997 Berlin, Germany	Telecommunications	Ordinary shares	100
DeTeWe Communications GmbH (d)	Zeughofstrasse 1, 10997 Berlin Germany	Telecommunications	Ordinary shares	100
Mitel Netherlands BV (c)	Van Deventerlaan 30-40, 3528 AE Utrecht, Netherlands	Telecommunications	Ordinary shares	100
Mitel Schweiz AG	Zieglemattstrasse 1, CH-4503 Solothurn, Switzerland	Telecommunications	Ordinary shares	100
Aastra Telecom Europe A/S	Roskildevej 342 B, 2. DK-2630 Taastrup, Denmark	Holding company	Ordinary shares	100
Mitel Denmark A/S	Roskildevej 342 B, 2. DK-2630 Taastrup, Denmark	Telecommunications	Ordinary shares	100
Mitel France SAS	Rue Arnold Schoenberg 1, 78286 Guyancourt, France	Telecommunications	Ordinary shares	100
Mitel Italia SpA	Corso di Porta Vittoria 9, Milan, Italy	Telecommunications	Ordinary shares	100
Mitel Communications Finland Oy	Tekniikantie 14 (Innopoli II) 02150 Espoo, Finland	Telecommunications	Ordinary shares	100
Mitel Norway AS	Østensjøveien 39/41, 0667 Oslo, Norway	Telecommunications	Ordinary shares	100
Mitel Lease SA (a)	Rue de la Grenouillette 2b, 1130 Brussels, Belgium	Leasing	Ordinary shares	100
Mitel Belgium SA (a)	Telecomlaan 9 bus 2, 1831 Diegem, Belgium	Telecommunications	Ordinary shares	100
Mitel Austria GmbH	Schönbrunner Str. 218/6.02, 1120 Vienna, Austria	Telecommunications	Ordinary shares	100
Aastra Telecom Portugal SA	Praça de Alvalade, Edif. Alvalade, n° 6 – 3° Esq. 1700-036 Lisbon, Portugal	Telecommunications	Ordinary shares	100
Mitel Networks Limited (b)	Castlegate Business Park, Portskewett. NP26 5YR UK	Telecommunications	Ordinary shares	100
Mitel Europe AG (b)	Ziegelmattstrasse 1, CH-4503 Solothurn, Switzerland	Telecommunications	Ordinary shares	100
Mitel Spain SL	C/Capitán Haya 1, pl 17 28020 Madrid, Spain	Telecommunications	Ordinary shares	100
Telepo Limited	Suite 1, 3rd Floor 11-12 St. James's Square, London SW1Y 4LB UK	Telecommunications	Ordinary shares	100

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

9. FIXED ASSET INVESTMENTS (continued)

	Registered office	Principal activity	Holding	%
Mitel Sweden AB (e)	Box 5197 121 18 Johanneshov Stockholm, Sweden	Telecommunications	Ordinary shares	100
Telepo Holding AB (b)	P.O. Box 587, 101 31 Stockholm, Sweden	Holding company	Ordinary shares	100
Mitel Communications AB (b)	Box 92131 120 08 Stockholm, Sweden	Telecommunications	Ordinary shares	100
Connected Hotels Limited	5 New Street Square, London EC4A 3TW UK	Telecommunications	Ordinary shares	100
Connected Guests Limited (b)	5 New Street Square, London EC4A 3TW UK	Telecommunications	Ordinary shares	100
TigerTMS Limited (b)	77-79 Christchurch Road, Ringwood BH24 1DH UK	Telecommunications	Ordinary shares	100
Mitel Networks Middle East FZ-LLC	Dubai Internet City Freezone Building 17, Office 263, PO Box 500193 Dubai	Telecommunications	Ordinary shares	100
TigerTMS Germany GmbH (e)	Nierfeldstrasse 6, 58313 Herdecke, Germany	Telecommunications	Ordinary shares	100
Mitel Communications Private Limited	2nd Floor, A-Wing, Plot no. 19/4 & 27 Kadubisanahalli village, Varthur Hobli, Bangalore, Bangalore Karnataka, India 560103	Telecommunications	Ordinary shares	99
Mitel Networks Pension Trustee Co. Ltd (b)	Castlegate Business Park, Portskewett. NP26 5YR UK	Pension trustees	Ordinary shares	100

(a) Mitel Networks Corporation, the parent company of Mitel Europe Limited, owns less than 1% of these entities.
(b) These subsidiaries are held indirectly by the company.
(c) Mitel Netherlands BV is owned 92% directly and 8% indirectly.
(d) On 16 February 2018 the company sold its shareholding in DeTeWe Communications GmbH to Ostertag Holding GmbH for £12,260,000.
(e) During the year, the company disposed of Mitel Deutschland GmbH and Mitel Sweden AB (including Telepo Holding AB and Mitel Communications AB) to Mitel Networks (International) Limited for £25,612,000 in exchange for a loan note.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

10. DEBTORS

	2018 £'000	2017 £'000
Amounts falling due within one year		
Amounts owed by group undertakings	16,729	3,672
Other debtors	1	1
Other taxes	-	113
Deferred taxation asset (note 11)	3	5
	16,733	3,791
Amounts falling due after more than one year		
Amount owed by parent undertaking due after more than one year	25,804	-

Amounts owed by group undertakings due within one year are interest free, unsecured and repayable on demand.

Amounts owed by group undertakings due after one year are unsecured with a maturity date of 30 November 2025, bearing interest at 8% per annum.

11. DEFERRED TAXATION ASSET

The movement in deferred taxation is as follows:

	£'000
At 1 January 2018	(5)
Charge to profit and loss account (note 7)	2
At 31 December 2018	(3)

	2018 £'000	2017 £'000
Charge/(credit) to the profit and loss account (note 7)	2	(5)

The amounts of deferred taxation provided in the financial statements are as follows:

	£'000	£'000
Other timing differences	(3)	(5)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £'000	2017 £'000
Trade creditors	-	2
Amounts owed to group undertakings	11,064	11,103
Other taxation and social security	160	24
Corporation tax	88	3
Accruals	2,889	1,692
	14,201	12,824

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

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018 £'000	2017 £'000
Amounts owed to group undertakings	11,472	11,197

£2,151,000 of amounts owed to group undertakings carries an interest rate of 0.98%. The remainder of amounts owed are interest-free. All amounts are unsecured and repayable on demand. The company's parent undertaking has stated its intention not to recall amounts owed within twelve months of the balance sheet date.

14. CALLED-UP SHARE CAPITAL

	Allotted, called-up and fully-paid	
Ordinary share of £1 each	**No.**	**£'000**
At 1 January 2018	2,004	2
Share capital issued	2	-
At 31 December 2018	2,006	2

On 31 October 2018, the company issued one share to its immediate parent undertaking at that date, Mitel Networks Corporation, in return for the entire issued share capital of ShoreTel UK Limited, at a premium of £1,088,000. On the same date, the company issued one share to Mitel Networks Corporation in return for the entire issued share capital of ShoreTel GmbH, at a premium of £219,000.

The share premium reserve represents the difference between the par value of the shares issued and the subscription or issue price. On 12 July 2016, the company reduced its share premium account by £265,000,000 by way of a capital reduction.

The profit and loss reserve represents cumulative profits or losses net of dividends paid and other adjustments.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2018

15. SHARE-BASED PAYMENTS

Certain employees received remuneration in the form of share-based payments, including shares in the former ultimate parent company, Mitel Networks Corporation. Following the acquisition of Mitel Networks Corporation all unvested restricted stock units were cancelled in exchange for the right to receive a cash payment equal to the transaction price per share following the date such RSUs would have vested in accordance with its terms, generally subject to the holder's continued employment through such date. Forfeitures are accounted for as they occur.

16. PARENT UNDERTAKING AND ULTIMATE CONTROLLING PARTY

In the directors' opinion, at 31 December 2018, the immediate parent undertaking was MLN UK Midco Limited, a Company registered in the UK. The ultimate parent undertaking and controlling party is Searchlight Capital Partners II GP, LLC, a company registered in the USA.

The largest group of undertakings for which these resulta are consolidated is MLN TopCo Limited, a company registered in the Cayman Islands. Its registered office address is Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands.

Copies of the financial statements of MLN TopCo Limited will be filed at Companies House alongside these financial statements.