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Registered Number: 03951948

118 Limited

Annual Report and Financial Statements for the year ended 31 December 2017

118 Ltd

Contents

Company Information

Directors
P Raval
D Rieger
M Graham

Company Secretaries
R Cohen Frey (Resigned: 12 January 2018)
D Rieger

Auditor
Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
11/13 Penhill Road
Cardiff
CF11 9UP

Bankers
Bank of America
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5 Canada Square
London
E14 5AQ

Registered Office
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CF10 5BF

118 Ltd
Strategic Report
For the year ending 31 December 2017

Principal activity
The principal activity of 118 Ltd ("the Company") is the provision of outsourced services support on behalf of private sector companies predominantly from the healthcare and utilities sectors.

Results and dividends
The loss for the year after taxation amounted to £304k (2016: £565k loss).
The directors do not recommend the payment of a dividend (2016: £nil).

Review of developments and future prospects
The Company's business has experienced revenue increases during 2017. The business is well positioned for further revenue growth through new logo acquisition, client satisfaction and strategic expansion of our existing business partnerships into new lines of business.
The Company is a sister company of The Number UK (118 118), one of the most dialled numbers in the UK and the market leader in the directory assistance sector.
The Company and its sister customer services companies in the US, Ireland and Switzerland all use the brand Conduit Global. This brings them together with one unified brand, recognising the important founding role played by the Company's parent in Ireland, Conduit Enterprises Ltd.
The Company's sister companies and parent company employ thousands of staff globally and the Company continues to be a significant UK employer with an average of over 1200 staff in the UK in 2017.
In the coming year, the Company is focusing on growing its client roster and adding new customers to generate increased revenue and profit in forthcoming years.

Principal risks & uncertainties
The Company is reliant on a number of key customers. Loss of major customers and downward market pressure on pricing could impact the Company's future profitability. The Company is also dependent on its technological and infrastructural platforms. However, the Company's resilient technology plan could help mitigate any serious consequences for the business in the event of failures on these platforms.

Management of foreign currency risk
Foreign currency risk is managed by the group. Derivative instruments used by the group in which this Company operates are forward exchange contracts. Gains and losses on foreign currency forward contracts are recognised in the profit and loss account on a monthly mark to market basis.

This report was approved by the board 24/09/18 and signed on behalf.

D Rieger
Director

118 Ltd

Directors Report

For the year ending 31 December 2017

Directors

The Directors of the Company, who were in office during the year and up to the date of signing the financial statements, together with their dates of appointment and resignation, where appropriate, are as shown below.

P Raval
D Rieger
M Graham

Secretaries

R Cohen Frey (Resigned: 12 January 2018)
D Rieger

Dividends

No dividends were paid or proposed during the period ending 31 December 2017.

Related party transactions

Details of the Company's related party transactions during the period are set out in note 14 to the accompanying financial statements.

Statement of Directors' responsibilities

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

The directors are required by the Companies Act 2006 to prepare financial statements for each financial period. Under that law the Directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements, and
- that the financial statements have been prepared on a going concern basis.

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.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and to detect fraud and other irregularities.

Creditors' payment policy

The Company values its suppliers and acknowledges the importance of paying invoices, especially those of small businesses promptly. Normal policy is to pay all small business purchases within 30 days. It is the Company's practice to agree terms with suppliers when entering into contracts. The Company negotiates with suppliers on an individual basis and meets its obligations accordingly. The Company's trade creditor payment days for the period were 10 days. This is an arithmetical calculation and does not necessarily reflect the Company's practice, which is described above, or the experience of any individual creditor.

Going Concern

Company law requires the Directors to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. After reviewing detailed profit and cash projections, the Directors are satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they have adopted the going concern basis in preparing the financial statements.

Statement of disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the Company's Auditor is unaware, and
- that directors have taken all the steps they ought to have taken as directors in order to be aware of any relevant audit information and to establish that the Company's Auditor are aware of that information.

Re-appointment of auditors

Grant Thornton UK LLP has expressed their willingness to continue in office.

BY ORDER OF THE BOARD

D Rieger
Director
Date 24/09/18

Independent auditor's report to the members of 118 Limited

Opinion

We have audited the financial statements of 118 Limited (the 'Company') for the year ended 31 December 2017 which comprise the balance sheet, the statement of comprehensive income, the statement of cash flow, the statement of changes in equity and 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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.

Who we are reporting to

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.

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.

Independent auditor's report to the members of 118 Limited (continued)

Other information

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

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

Matter on which we are required to report under the Companies Act 2006

In 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 or the Directors' Report.

Matters on which we are required to report by exception

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 for the financial statements

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.

Independent auditor's report to the members of 118 Limited (continued)

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 Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.

Grant Thornton UK LLP

Rhian Owen
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cardiff
Date 24 September 2018

118 Ltd

Statement of Comprehensive Income
For the year ending 31 December 2017

	Notes	2017 £'000s	2016 £'000s
Turnover	4	27,387	25,184
Interest Income		159	170
Net Income		27,546	25,354
Operating expenses	5	(27,919)	(26,010)
Intra group impairments		-	(12)
Loss on ordinary activities before taxation		(373)	(668)
Tax benefit on loss on ordinary activities	10	69	103
Loss on ordinary activities after taxation		(304)	(565)
Other comprehensive loss		-	-
Total comprehensive loss		(304)	(565)

The accompanying notes from pages 13 to 24 form an integral part of these financial statements

118 Ltd
Balance Sheet
For the year ending 31 December 2017

ASSETS	Notes	2017 £'000s	2016 £'000s
Non-current assets			
Tangible assets	8	368	605
Deferred tax	10	213	183
Group Borrowings	14	11,947	11,790
Total non-current assets		**12,528**	**12,578**
Current assets			
Amounts owed from group undertakings	14	6,616	6,826
Trade and other receivables	7	7,532	5,855
Deferred tax	10	2	2
Cash and cash equivalents		1,176	1,622
Total current assets		**15,326**	**14,305**
Total assets		**27,854**	**26,883**
LIABILITIES			
Non-current liabilities			
Group Borrowings	14	(819)	(787)
Provisions for liabilities	11	(930)	(789)
Total non-current liabilities		**(1,749)**	**(1,576)**
Current liabilities			
Trade and other payables	9	(2,345)	(2,519)
Amounts owed to group undertakings	14	(10,258)	(8,982)
Total current liabilities		**(12,603)**	**(11,501)**
Total liabilities		**(14,352)**	**(13,077)**
Net assets		**13,502**	**13,806**
Shareholders' Equity			
Share capital	12	3,754	3,754
Capital contribution		819	819
Retained earnings		8,929	9,233
Total shareholders' funds		**13,502**	**13,806**

The accompanying notes from page 13 to 24 form an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 24/09/18

D Rieger
Director

118 Ltd
Statement of Changes in Equity
For the year ending 31 December 2017

	Share capital £'000	Capital contribution £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2016	3,754	819	9,798	14,371
Total comprehensive loss for the year	-	-	(565)	(565)
Balance at 31 December 2016	**3,754**	**819**	**9,233**	**13,806**
Total comprehensive loss for the year	-	-	(304)	(304)
Balance at 31 December 2017	**3,754**	**819**	**8,929**	**13,502**

The accompanying notes from page 13 to 24 form an integral part of these financial statements.

118 Ltd
Statement of Cash Flow
For the year ending 31 December 2017

Continuing operations	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss before taxation		(373)	(668)
Amortization charge		141	174
Depreciation charge	8	260	387
Income taxes	10	69	103
Net decrease in trade and other receivables	7/14	(1,465)	(2,592)
Net increase in trade and other payables	9/10/14	1,073	1,185
Net cash used in operations		**(295)**	**(1,411)**
Cash flows from investing activities			
Purchase of tangible assets	8	(26)	(257)
Borrowings	14	(125)	(6,853)
Net cash used in investing companies		**(151)**	**(7,110)**
Net increase in cash and cash equivalents		**(446)**	**(8,521)**
Cash and cash equivalents at beginning of year		1,622	10,143
Cash and cash equivalents at 31 December		**1,176**	**1,622**
Cash and cash equivalents comprise			
Cash at bank		1,176	1,622
Cash and cash equivalents at 31 December		**1,176**	**1,622**

The accompanying notes from page 13 to 24 form an integral part of these financial statements.

1 Reporting entity

These financial statements are prepared for 118 Ltd ("the Company"), which provides the provision of outsourced services support on behalf of private sector companies predominantly from the healthcare and utilities sectors. The Company is a wholly owned subsidiary of The Number UK Limited 118 118, and kgb is the ultimate parent company.

The Company is a private limited company, incorporated and domiciled in the United Kingdom. The address of the registered office of the Company is Fusion Point, Dumballs Road, Cardiff, CF10 5BF.

2 Compliance with International Financial Reporting Standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), adopted for use in the European Union, International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention, except for the use of fair values as required by certain standards.

3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied. The figures included within these financial statements have been rounded to the nearest thousand pounds.

Going concern

Company law requires the Directors to prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business. After reviewing the Company's performance projections, the available group support and future funding model, the Directors are satisfied that the Company has adequate resources to enable it to meet its obligations and to continue with its growth strategy. The Directors have approved the budget for 2018 and have regular meetings to discuss the Company's performance. The Directors believe the Company's cash flows and funding facilities will be sufficient to meet the Company's obligations and that it is appropriate to prepare the financial statements on a going concern basis.

Critical accounting estimates

The preparation of financial statements in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires directors to exercise judgment in the process of applying the accounting policies. The notes to the financial statements set out areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the financial statements such as the assessment of impairment on loans and advances.

(a) Foreign currency translation

The financial statements are presented in Pounds Sterling, the Company's functional and presentational currency.

(b) Revenue recognition

Revenue is recognised to the extent that the Company obtains the rights to consideration received, excluding Value Added Tax.

Revenue is recognised on provision of services.

3 Summary of significant accounting policies (continued)

(c) Current and deferred income tax

Income tax payable on taxable profits (current tax) is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits, and where the losses have not been surrendered for group relief within the group.

Deferred Income taxes are recorded, using the liability method, on temporary timing differences arising from the differences between the tax bases of assets and liabilities and their carrying amounts. In the financial statements, deferred income tax is determined using tax rates and legislation enacted or substantially enacted at the balance sheet date and is expected to apply when the deferred tax asset is realised or the deferred tax liability is settled.

Deferred and current tax assets and liabilities are only offset where there is both the legal right and the intention to settle on a net basis or to release the asset and settle the liability simultaneously. A valuation allowance for deferred tax asset is established when management determines that it is more likely than not that all or a portion of the benefit of the deferred tax asset will not be realized.

(d) Cash

For the purposes of the statement of cash flow and the balance sheet, cash comprises cash in hand, current balances.

(e) Tangible assets

Tangible assets are stated at cost, less accumulated depreciation. Cost represents expenditure that is directly attributable to the purchase of the asset. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the item can be measured reliably. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Depreciation on assets is calculated using the straight line method to allocate the costs less their residual values over their estimated useful lives as follows

- Leasehold improvements - 2 - 11 years
- Fixtures and fittings - 5 years.
- Computer equipment - 3 years

3 Summary of significant accounting policies (continued)

(f) Financial assets and liabilities

The Company recognises financial instruments from the execution date, and continues to recognise assets until the cash is received, the rights to receive cash flows have expired or the Company has transferred substantially all the risks and rewards of ownership. In the case of liabilities, the Company continues to recognise them until the liability has been settled, extinguished or has expired.

Financial assets and liabilities are generally measured at amortised cost, using a methodology that approximates the effective interest rate method. Financial assets and liabilities which are considered financial derivative instruments are required to be accounted for at fair value. The change in fair value of financial derivative instruments is recorded as current period income/(loss).

(g) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by the Directors. No Dividends have been paid.

(h) Employee benefits and pension commitments

Expenses related to employee benefits are recognised in the Statement of Comprehensive Income in staff costs or recharge of centrally allocated costs by the parent, included in operating expenses. The Company offers a Group Self Invested Personal Pension Plan, in addition to the automatic enrolment scheme with The People's Pension. Contributions to individual employees' pension plans under the Company's pension arrangements are charged in the Statement of Comprehensive Income as they become payable in accordance with the rules of the arrangement. Any contributions unpaid at the balance sheet date are included within trade and other payables.

(i) Short term employee benefits

Short-term employee benefits, such as salaries, paid absences, and other benefits, are accounted for on an accruals basis over the period which employees have provided service in the year. Bonuses are recognised to the extent that the Company has a present obligation to its employees that can be measured reliably.

(j) Future accounting developments

The IASB issued IFRS 9, Financial Instruments and subsequent additions and amendments that will form part of the eventual standard which will replace IAS 39 Financial Instruments recognition and measurement. It will lead to significant changes in the accounting for financial instruments and becomes effective for annual periods beginning on or after 1 January 2018 with early adoption permitted.

4 Turnover

Turnover represents the amounts invoiced to third parties, stated net of value added tax.

All turnover arose within the United Kingdom.

5 Operating expense

Operating expenses include the following:

	2017	2016
	£'000	**£'000**
Administration, Operating and Systems Cost	27,625	25,589
Operating lease	11	11
Depreciation of tangibles	260	387
Auditors' remuneration	23	23
Total	**27,919**	**26,010**

6 Employees and key management including Directors

a) Staff costs comprise the following:

	2017	2016
	£'000	£'000
Wages and salaries	19,496	17,333
Social security costs	1,186	1,089
Other staff costs	90	39
Pension costs – defined contribution pension plans	166	174
Total	**20,938**	**18,635**

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

	2017	2016
Directors and Management	8	8
Administration	84	71
Customer Care	1,139	1,035
Total	**1,231**	**1,114**

7 Trade and other receivables

Other receivables comprise of the following:

	2017	2016
	£'000	£'000
Trade Debtors	6,995	5,320
Prepayments	537	535
Other taxation	-	-
Total	**7,532**	**5,855**

8 Tangible assets

An analysis of tangible assets is as follows:

	Leasehold Improvements	Fixtures and Fittings	Computer Equipment	Total
	£'000	**£'000**	**£'000**	**£'000**
Cost				
At 1 January 2017	664	510	2,160	3,334
Additions	-	19	7	26
Disposals	(664)	(136)	(16)	(816)
At 31 December 2017	**-**	**393**	**2,151**	**2,544**
Depreciation				
At 1 January 2017	(661)	(414)	(1,654)	(2,729)
Charge for the period	(3)	(99)	(159)	(260)
Disposals	664	140	10	814
At 31 December 2017	-	**(373)**	**(1,803)**	**(2,176)**
Net book value				
At 31 December 2017	-	**20**	**348**	**368**
At 31 December 2016	3	96	506	605

9 Trade and other payables

An analysis of trade and other payables is as follows:

	2017	2016
	£'000	**£'000**
Accrued expenses	1,580	1,499
Other creditors	675	744
Other taxation	90	276
Total	**2,345**	**2,519**

10 Taxation

(a) Income tax expense

	2017	2016
	£'000	£'000
Deferred tax	(39)	2
Current year	(30)	(105)
Total income tax charge	**(69)**	**(103)**

The table below shows the reconciliation between the total income tax charge and the tax credit that would result from applying the standard UK corporation tax rate of 19.25% (2016:20%) to the Company's loss before tax.

	2017	2016
	£'000	£'000
Loss before tax	(373)	(668)
Tax credit at average UK corporate tax rate of 19.25% (2016:20%)	(72)	(134)
Expenditure not allowable for tax purposes	-	3
Payment for group relief	39	73
Change in rate	-	24
Prior year adjustment	3	4
Group relief losses surrendered	(39)	(73)
Tax credit for the year	**(69)**	**(103)**
Effective tax rate%	**18.44%**	**15.70%**

Legislative changes made during the year and earlier by the Chancellor of the Exchequer to corporate tax rates will have an effect on the future tax charge of the Company. Accordingly, deferred tax has been calculated at year-end using a tax rate of 17% reflecting the expected corporate tax rate in effect when the timing differences are realized.

(b) Current tax asset

The current tax asset is as follows:

	2017	2016
	£'000	£'000
UK Corporation tax payable	-	-

10 Taxation (continued)

(c) Deferred tax

The components of and movement on the deferred income tax account during the period are as follows:

	2017	2016
	£'000	£'000
Fixed assets temporary allowances	110	104
Dilapidations provision	103	79
Pension contributions	2	2
Net deferred tax asset	215	185
Recoverable in one year	2	2
Recoverable after one year	213	183

Deferred income taxes are provided in full on temporary differences under the liability method using a principal tax rate of 17%.

11 Provisions

	Provision for dilapidations
	£'000
At 1 January 2017	789
Addition in year	141
At 31 December 2017	930

Provision for dilapidations

The provision above has been recognised for dilapidation costs on the leased buildings.

12 Share capital

Share capital is comprised of authorised, 3,753,619 ordinary shares (£1 per share fully paid) at 31 December 2017.

13 Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents, trade receivables and loans.
The total cash balance held in the bank account at December 31, 2017 and 2016 was £1.176m and £1.622m respectively.
Concentration of credit risk with respect to trade accounts receivable exists due to the significance of several large customers in which we provide outsource services support, principally comprised of healthcare and utility sectors. One customer accounted for 68% and 62% of turnover in 2017 and 2016, respectively, and 78% and 67% of accounts receivable at December 31, 2017 and 2016, respectively. A second customer accounted for 24% and 27% of turnover in 2017 and 2016, respectively, and 6% and 24% of accounts receivable at December 31, 2017 and 2016, respectively.

14 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the party in making financial or operational decisions, or one other party controls both.

The definition of related parties includes parent company and ultimate parent company, subsidiary, associated and joint venture companies, as well as the Company's key management which includes its directors. Transactions during the period and the balances outstanding at the year-end between related parties are as follows:

2017	**Balance 1 January**	**Interest Receivable**	**Increase in Funding**	**Cash settlements during the period**	**Balance at 31 December**
Balances outstanding	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Funding					
The Number UK Ltd (Fellow Subsidiary)	10,198	136	-	-	10,334
Madison CF UK (Fellow Subsidiary)	1,592	21	-	-	1,613
Conduit Limited (Parent)	(787)	-	(32)	-	(819)
Total Funding	**11,003**	**157**	**(32)**	**-**	**11,128**

2016	**Balance 1 January**	**Interest Receivable**	**Increase in Funding**	**Cash settlements during the period**	**Balance at 31 December**
Balances outstanding	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Funding					
The Number UK Ltd (Fellow Subsidiary)	3,261	137	6,800	-	10,198
Madison CF UK (Fellow Subsidiary)	1,568	24	-	-	1,592
Conduit Limited (Parent)	(679)	-	(108)	-	(787)
Total Funding	**4,150**	**161**	**6,692**	**-**	**11,003**

14 Related party transactions (continued)

2017	Balance at 1 January	Recharge of centrally allocated costs	Cash settlements during the period	Balance at 31 December
Recharges of expenses payable	**£'000**	**£'000**	**£'000**	**£'000**
Kgb (Ultimate Parent)	55	(54)	-	1
Conduit Global Inc (Fellow Subsidiary)	72	(72)	-	-
Kgb USA Inc (Fellow Subsidiary)	8	(50)	-	(42)
Conduit Enterprises Ltd (Parent)	(8,145)	(28)	-	(8,173)
118 DQ Services Ltd (Fellow Subsidiary)	(12)	12	-	-
Conduit Europe SA (Fellow Subsidiary)	5	8	-	13
Conduit Enterprises Austria (Fellow Subsidiary)	-	(4)	-	(4)
Kgb Philippines Inc (Fellow Subsidiary)	(183)	168	-	(15)
The Number UK Ltd (Fellow Subsidiary)	4,496	(1,930)	-	2,566
Le Maroc (Fellow Subsidiary)	(2)	2	-	-
Madison CF Holdings, Inc (Fellow Subsidiary)	1,433	390	-	1,823
Le Numero s.a.s (Fellow Subsidiary)	117	84	-	201
Kandel Ltd (Fellow Subsidiary)	-	(12)	-	(12)
Total	**(2,156)**	**(1,486)**	**-**	**(3,642)**

14 Related party transactions (continued)

2016	Balance at 1 January	Recharge of centrally allocated costs	Cash settlements during the period	Balance at 31 December
Recharges of expenses payable	£'000	£'000	£'000	£'000
Kgb (Ultimate Parent)	(5)	60	-	55
Conduit Global Inc (Fellow Subsidiary)	(67)	139	-	72
Kgb USA Inc (Fellow Subsidiary)	(6)	14	-	8
Kgb Opco (Fellow Subsidiary)	-	-	-	-
Conduit Enterprises Ltd (Parent)	(7,269)	(601)	(275)	(8,145)
118 DQ Services Ltd (Fellow Subsidiary)	(10)	(2)	-	(12)
Conduit Europe SA (Fellow Subsidiary)	2	3	-	5
Conduit Enterprises Austria (Fellow Subsidiary)	(2)	2	-	-
Kgb Philippines Inc (Fellow Subsidiary)	(301)	118	-	(183)
The Number UK Ltd (Fellow Subsidiary)	5,668	(1,172)	-	4,496
Le Maroc (Fellow Subsidiary)	-	(2)	-	(2)
Madison CF Holdings, Inc (Fellow Subsidiary)	970	463	-	1,433
Le Numero s.a.s (Fellow Subsidiary)	12	105	-	117
Kgb deals Italy (Fellow Subsidiary)	10	(10)	-	-
Total	**(998)**	**(883)**	**(275)**	**(2,156)**

Recharges of centrally allocated costs include central support costs provided by fellow group companies. In December 2017 the loan to Madison CF UK Ltd and The Number UK Ltd interest was GBP LIBOR rate plus 1%.

15 Operating lease commitments

At 31 December 2017 the Company had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2017	2016	2017	2016
	£000	£000	£000	£000
Expiry date:				
Within 1 year	-	-	11	11
Between 2 and 5 years	5,021	1,111	-	-
Greater than 5 years	1,154	-	-	-

16 Capital management

The Company's objectives when managing capital are:

- To safeguard the Company's ability to continue as a going concern
- To maintain an optimal capital structure in order to reduce the cost of capital
- To generate sufficient capital to support asset growth

The Board of Directors is responsible for capital management and has approved minimum control requirements for capital and liquidity risk management.

17 Parent and ultimate holding company

The ultimate holding company and controlling party and the parent company of the largest group that presents group financial statements is kgb, a company incorporated in the United States of America. This is the smallest and largest group for which group financial statements are prepared. The consolidated financial statements of this group are available from 655 Madison Avenue, 3rd Floor, New York, NY 10065, US.

18 Subsequent Events

No significant events after the balance sheet date.