



Specialist Computer Centres plc

Annual Report and Financial Statements

For the Year ended 31 March 2016



Contents

	Page
Company Information	3
Strategic Report	4
• Our Operations	4
• Our Performance Summary	5
• Cloud Delivered Managed Services	7
• Managed Print Services	8
• Gross & Operating Profit Performance	9
• Cash & Returns on Assets	10
• Our Investments	11
• Our Customers & Partners	13
• Financial Review & FY17 Outlook	14
• SCC EMEA Limited Operations and Performance	15
Directors' Report	17
Independent Auditor's Report	22
Profit & Loss Account	24
Balance Sheet	25
Statement of Changes in Equity	26
Notes to the Financial Statements	27

Specialist Computer Centres plc

Company Information

Directors

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Mr J Rigby
Mr S Rigby
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Mr O G Williams

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Strategic Report for the Year Ended 31 March 2016

The Directors present their Strategic Report for the year ended 31 March 2016 for Specialist Computer Centres plc (SCC). In this report we will present an overview of the company's operations and the performance of the business during the year.

About us

SCC is part of the Technology division of Rigby Group (RG) plc, a family owned and operated business with interests in technology, aviation, airports, hotels, property development and financial services. SCC enables people to do business by planning, supplying, integrating and managing IT for leading public and private sector businesses in the UK.

Our continued success comes from our ability to develop lasting partnerships with our customers and partners – as well as being able to think ahead and invest in the right areas. These areas include hardware, software, networking, IT security, Cloud, Data Centre services, Managed Print Services and mobile devices.

We help companies and government organisations optimise their IT infrastructure to reduce cost and increase organisational agility. We work with our people, customers and partners to help champion sustainable IT and deliver competitive advantage through reduced costs, improved efficiency and enhanced brand value and reputation. Our portfolio of services spans from supply through to fully managed services, infrastructure optimisation, unified communications and data centre services. We deliver Managed Service, Professional Services and Data Centre Services.

Our strategy for increasing profitability and reducing cost for our customers focuses on seven key areas: Enterprise Infrastructure; Datacentre Hosting and Cloud Infrastructure; IT Outsourcing; Desktop & Workplace; Software and Software Asset Management; Network and Security and Flexible Resourcing.

Our Operations

Located in Birmingham, our Head Office is on the same site as the SCC EMEA European Headquarters and is complemented by local offices around the country to support our customers in all major UK population centres.

Our Data Centre Operations are also managed from our own Birmingham Technology Campus where investment in recent years has created a datacentre for private and public sector customers. Our on-site data centre facilities are supported with our additional data centre facilities in Birmingham and at Fareham, Hampshire. Global Delivery Centre operations managed locally through our sister company in Romania, enable us to provide cost effective high skill services to our customers. Now located in both Bacau and Iasi our operation has grown to nearly 1000 staff from 700 at the prior year end, with plans for further expansion to meet demand for their services.

Our Recycling Services managed from our National Recycling Centre in Birmingham were awarded Electrical and Electronic Equipment Recycler of the Year Award 2013 and gained Defence Infosec Product Co-Operation Group (UK) (DIPCOG) approval in the last twelve months. We operate SCC Capital – our IT Finance Services business designed to help unlock value for our customers and support their long term IT strategies via a range of finance operations. SCC Capital is operated by Rigby Capital Ltd, a £30m wholly owned business within the Rigby Group. SCC is the largest component of the Rigby Group's Technology Investments which is now delivering a combined services turnover of over £200m per annum.

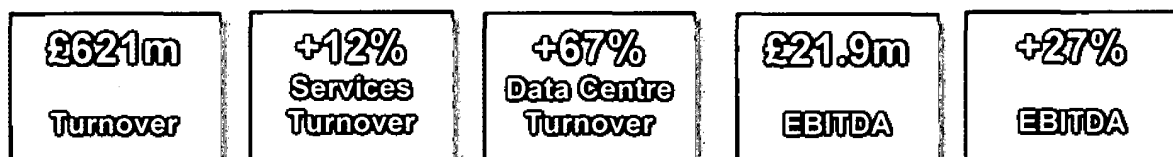
Our Ambition

“ We aim to be recognised by our customers, employees, vendors and partners as the Market Leading Technology Solutions Provider around the Infrastructure. “

The company and the SCC group enacted a three year plan to deliver our ambition. We are targeting by 2017, to achieve £50m EBITDA across SCC EMEA. Our financial performance for the year ended 31 March 2016 summarised on page 15 shows that we are on track to achieve our objectives.

Our Performance Summary

Over the past two financial years we have made significant progress in transitioning the business to a managed service and solutions led business. The most recent year has seen further changes in the balance of revenues and further exceptional growth in our CDMS business. The following performance highlights refer to the unconsolidated results of Specialist Computer Centres plc.



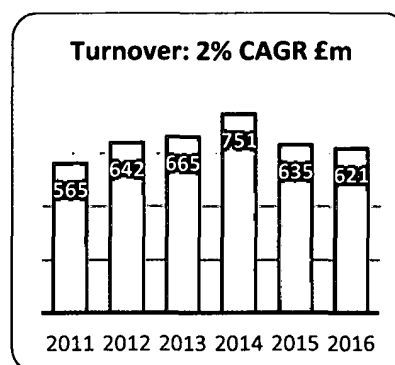
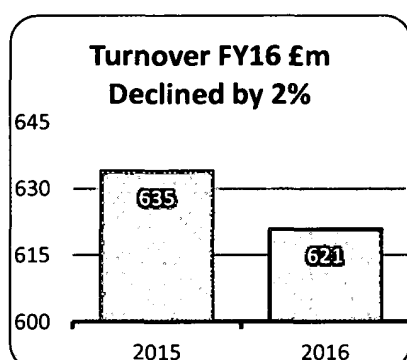
Turnover

In the last financial year, total turnover was marginally lower at 98% of the prior year, as we focused on improving product margins and on developing our services business. We continued our prior year policy of switching our focus away from business which had been driving high turnover but delivering low margins and focusing on higher margin turnover and on growing turnover in our Services operation.

Low margin pass-through business declined as a result of this policy by £35m in the year. Turnover from our core business (excluding this pass-through business), from which our profitability derives, grew by 4%.

Our Services operations delivered a 12% growth in turnover following a 10% growth in the prior year, driven by growth in our CDMS and Core Managed Services business. Our Services business now delivers 26% of total company turnover.

Despite the decline in headline turnover our growth trend remains positive. Over the last five years our turnover has been growing at a compound annual growth rate of 2% per year (CAGR) and with the emphasis on growing the right type of services and stronger margin business we continue to grow the right type of quality business in preference to achieving growth in total turnover.



Annuity Revenues

We are pleased to report significant growth in our Annuity Revenues. Our Services business brings contracted revenues which allow the company to plan and invest with greater confidence. Growth in annuity revenues within our Managed Services and CDMS businesses is a key objective for the company and we closely monitor their growth. Over the past year we have grown our annuity business by 23% to close the year with Annuity Revenues of £129m per annum.

Strategic Report for the Year Ended 31 March 2016 (continued)

We analyse our business into 3 key components to maintain a consistent presentation of the type of services we provide to our customers. These are our Supply, Integrate and Manage business units.

Analysis of Turnover by Key Component	Share %	2016 Revenue £m	Annual Change %
Supply	75	467	-6
Integrate	6	35	-10
Manage	19	119	23
		<u>621</u>	

The switch of focus away from low margin business is shown primarily in our Supply business, the turnover for which declined by £32m as high value low margin product sales declined by £33m. Excluding this low margin "pass through" business, our supply business remained flat on the prior year.

Our Integration business declined by 10% overall with our professional services shrinking slightly after the exceptional 11% growth of the prior year during which the windows 7 migration generated additional demand. The Flexible Resourcing element of our Integration business continued prior year growth with a 14% improvement in turnover, growing to £6.7m, with further growth expected in the coming year.

Our Managed business turnover grew by £22m overall driven by our CDMS business which grew by 67% to £43m in year.

Services Turnover by Key Component	2016 Revenue £m	Annual Growth %
Professional Services (Integrate)	35	-10
Manage		
Core Managed Services (excluding CDMS)	76	7
CDMS	43	67

Our Core Managed Services business expanded to service new customers including Bentley and VW and renewed or increased scope with Konica Minolta, Next, BOC, CSC, CGI, Ladbrokes and Clarke Wilmott.

Our Professional Services business was able to add new customers despite more difficult market trading conditions including Ince & Co, Arnold Clark, Paragon Bank, Wincanton, Galliford Try and AXA.

Our CDMS business extended existing relationships with IBM and Aldermore Bank amongst others whilst building new relationships with Sodexo, NBTA, Oxford City Council, Northern Gas, Department for Work and Pensions, LV= and WHSmith.

Strategic Report for the Year Ended 31 March 2016 (continued)

Cloud Delivered Managed Services

Our CDMS business has enjoyed another successful year with continued revenue growth as we combine our data centre service capabilities with managed services, our professional services and round the clock support from our UK and Romanian bases. Now employing 170 people, an increase of 50 in the last year, we are growing significantly and have a very strong pipeline of new business which will driver further revenue growth in the coming financial year.

Highlights



- Current Rack capacity of 1800, rising to 3000 post expansion in 2016
- 2 Tier 3+ Data Centres in the UK
- 77% occupancy, 23 MV Power, 18 connected Data Centres

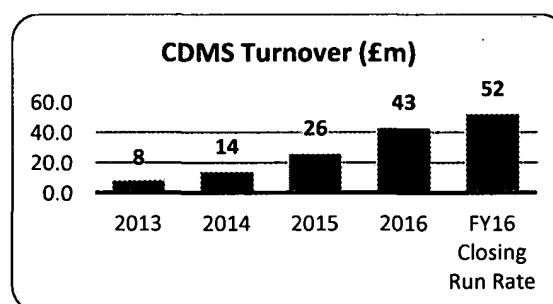
Over the last year, our turnover from CDMS grew by 67% supported by a large number of new customer wins in the public and private sectors and follows growth of 87% in the prior year.

Revenue has grown all year such that by the close of the year our annualised revenue run rate reached £52m, a 51% increase over the end of the previous year. Of this £52m, over 80% is run rate annuity revenues which underpin continued profitability in the next financial year and together with new business we expect further growth in revenues.

Our government accredited secure multi-tenanted cloud service - "Sentinel by SCC", achieved significant new business and revenue growth of over 120% returning nearly £8m for the year up from £3.6m in the previous year end with recurring annual revenues of 88%. Our current annualised run rate of over £11m will drive material growth in the next financial year and we expect further growth from new business won and a strong pipeline.

Two years ago we acquired a 650 rack capacity data centre in Fareham, Hampshire. Covering 10,000 sq. ft., this Tier 3+ datacentre is reaching capacity and expansion is underway which will more than double capacity when completed in the next few months. This relatively new location contributed £5.3m of turnover in the year and with additional capacity and opportunity to expand, the data centre brings significant further revenue and profit opportunity.

- Annualised revenues from CDMS closed on £52m up £17m from the end of the previous year.
- Projected revenues of £55m in the next financial year.
- 3 year Compound Annual Growth Rate of 76%



CDMS Profitability and Investment

Monthly recurring revenues now contribute gross margins at 180% of the direct overhead base so we expect strong profitability in the coming financial year. We have continued to invest in our facility with investment during the year in the existing locations totalling £7m, and with the total lifetime DC investment now exceeding £47m. Returns on capital spend are running at over 30% and further investment in our key locations of £6m is planned for the next financial year.

Strategic Report for the Year Ended 31 March 2016 (continued)

Universal Cloud Gateway

Immediately following the end of our last financial year we launched our Universal Cloud Gateway service, a Cloud Brokerage portal which allows customers to seamlessly procure public and SCC Cloud Solutions. This new service meets the needs of enterprise scale organisations with multi-cloud strategies and provides a simplified and flexible route for the procurement of complex cloud services.

The launch of Universal Cloud Gateway follows other Cloud Solution services launched over the last 12 months including our 'Shadow IT' solution and 'Cloud Analyser', which together allows customers to understand their cloud usage and identify the best cloud options for all their needs.

Future Prospects

Strong pipelines and existing business wins combined with high closing run rates will generate significant turnover and profitability growth in the coming years.

Growth in demand has driven further investment at our Birmingham and Fareham locations. Capacity will grow by over 60% when this is complete in 2016 bringing total growth in our capacity over the last three years to 300%. At that time we will have a rack capacity of 3000.

Our CDMS business is starting to benefit from the Rigby group's investment in Fluidata Ltd. Via its fibre network capability, Fluidata brings connectivity between our existing datacentres and 11 other data centres including those of well-known public cloud services. Customers of CDMS will gain access to significant data networking capabilities and we expect growth in those services over the coming financial year.

Managed Print Services

In 2014 we invested in print services specialist M2 Digital Ltd as a key step in expanding our print service capabilities. M2 acts as specialised provider of print services solutions supporting both M2 Digital and SCC. The following financial details relate to the combined performance of M2 Smile Ltd, M2 Digital Ltd and the managed print services division of SCC.

Summary

£46m Combined Turnover	21% Turnover Growth	£4.5m Combined EBITDA	46% EBITDA Growth	24,000 Devices Under Management
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Following a successful first year since our acquisition, our second year was equally strong and we invested further over the last financial year focussing on the needs of our public sector customers by building a dedicated sales team, which we expect to bring new opportunities for growth over the next year. M2 now employs over 230 people in the UK and has 24,000 devices under management.

The print business trades both in the name of our subsidiary M2 Digital Ltd and as a division of SCC, combined turnover for which reached £46m for the year in line with our projections at the time of acquisition and 21% ahead of the prior year. Combined EBITDA of £4.5m shows growth of 46% and also met our pre acquisition projection and we are confident that the business will continue to grow successfully over the coming year.

SCC's print division had an exceptional year with new print customers including the National Trust, The Coventry Building Society and Waitrose and excellent retention rates with existing customers including Legal & General, Colt and Price Forbes. Print Services attracted brand new customers to SCC including John Lewis, Devon County Council and UK Power Networks. After an excellent year print services are set to continue growth in turnover and EBIT in the coming financial year.

Gross and Operating Profit Performance

SCC Gross Profit Performance

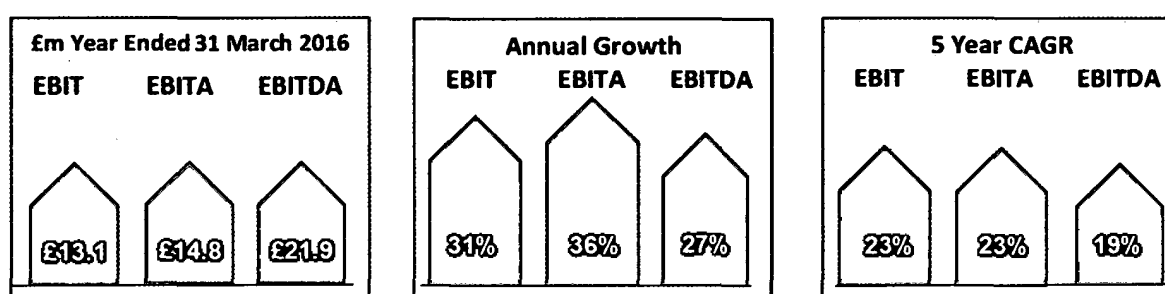
Overall we have grown our Gross Profit by 5% to £96m over the last year with the rate of margin increasing by 1 percentage point to 15%.

We have improved the rate of margin from our product business and the value of profit from our services business whilst declining revenues from our weakest margin business.

Our Services business now contributes 67% of total company gross profit, an increase from 59% in the prior year and the margin we generate from our Services business covers 71% of total company overheads – up from 62% in the prior year, as we continue to improve the mix of our profit as well as turnover.

SCC Operating Profit

We measure our operating profit performance and trends in Earnings before interest and tax (EBIT), before interest tax and amortisation (EBITA); and before interest, tax, depreciation and amortisation (EBITDA). Annual growth is important as well as maintaining consistent improvement over time, so we measure both the annual growth in these measures and their compound annual growth rates.



Our profitability is improving in these key measures even as the company moves through a period of transition and our performance in the last financial year continues to exceed our 5 year growth rates showing that the growth rates are continuing.

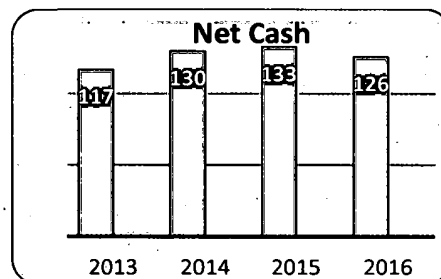
Annual growth in both EBITA and in EBIT in excess of 30% year on year, are underpinned by growth in EBITDA, our key cash generation measure of 27%. As our business drives profitable growth from services and increases underlying Annuity Business, we expect to maintain our strong performance in profit generation and growth.

EBITDA Reconciliation	2016 £'000	2015 £'000
Operating Profit (EBIT)	13,122	9,985
Amortisation	1,727	915
EBITA	14,849	10,900
Depreciation	7,021	6,309
EBITDA	21,870	17,209

Cash and Return on Assets

Cash and Cash Flow

Our cash position remains strong. At the end of March 2016 we reported Net Cash of £126m, comparable with the prior year and after continued data centre investment.



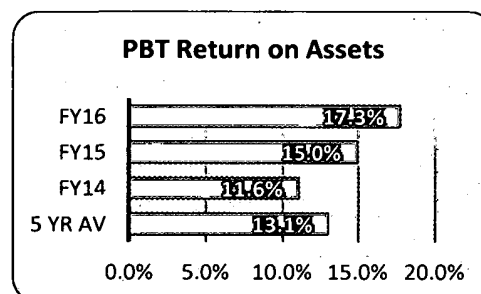
We have generated cash from the underlying business which we are using to invest further in strategic assets and to provide improved returns to the group. With EBITDA of £21.9m and despite tightening of our working capital position at the end of the year, we generated £7m of cash in the year.

Over the last 3 years we have achieved working capital improvements of £10m, in addition to EBITDA of £54m, to fund £42m of capital spend over the period, resulting in a healthy conversion ratio of 120% pre investment.

We take a long term view to our cash generation and investment programme, ensuring we maximise the cash we can generate from our current operations to invest in a capital programme that delivers meaningful returns on that cash. That capital programme is currently focused on expanding our high return datacentre facilities which will deliver significant cash payback in the short term underpinned by high annuity streams and strong demand for more capacity.

Return on Assets

Our annual pre-tax return on shareholders' funds at 17% was a 16% improvement on the prior year and our 5 year average has risen to 13.1% from 10.8% in the prior year.



Our Investments

Historically profitable, SCC has sought to re-invest profits back into the business, maintaining a prudent dividend policy to ensure that funds are available for investment both organically and where appropriate by acquisition. Over the last financial year these investments have been focused on the expansion of our Data Centre capabilities and the customer facing operational systems of our Services division.

Data Centre Investments

Investment in our own Data Centre over the last few years has continued with an additional investment in the last financial year of £7m bringing the total investment in these facilities up to £47m.

With expansion planned at our Birmingham and Fareham sites we expect total investment to date to exceed £50m over the coming year as we expand capacity on both sites to reach a maximum of 3000 rack capacity. With much of this new space pre sold prior to completion we are confident that those investments will deliver strong returns.

Technology Investments

Over the last twelve months, SCC's group parent Rigby Group has completed investments in strategic technologies to complete a comprehensive portfolio of solutions. Offering services direct and through SCC, these technologies offer important growth potential in Data Telecoms, Hosted Voice and Data/Voice Mobility.

Fluidata
by rigby

SIPCOM

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ONE POINT

Fluidata

In April 2015 SCC entered the Data Telecoms market, via the Rigby group's investment in Fluidata Limited, positioning SCC at the forefront of Data Centre Services provision. Fluidata is a multi-award winning business which delivers innovative high speed data connectivity solutions, specialising in Layer-2 and Layer-3 delivery using technologies including DSL, EFM, Fibre, VPLS/MPLS, wireless and unique failover/aggregation technology. Employing 65 staff and with offices in London and Hemel Hempstead, Fluidata brings 11 Datacentres into the SCC network, offers connectivity to 17 telecom providers' networks and 24/7 support.

Our CDMS offerings have been further enhanced by access to the Data Telecoms market which this investment brings, enabling SCC to connect its own datacentres together with those of Fluidata, and partner Datacentre services companies. Fluidata services are already being provided to some of SCC's customers with growth expected in the coming financial year.

Sip Communications

In September 2015, the Rigby Group invested in Sip Communications plc, adding hosted voice and unified communications as a service to SCC's CDMS offering. Sip Communications is a leading provider of Software and Unified Communications as a Service and is a key partner to leading ISVs, Microsoft, Oracle and Broadsoft. The Rigby Group's non-controlling investment in Sip Communications helps to position SCC as a leading CDMS provider.

One Point Communications

In December, a further investment was made by the Rigby Group, in One Point Communications Ltd (One Point), taking a controlling stake in the business which brings mobile voice and data capability to SCC's CDMS proposition.

Strategic Report for the Year Ended 31 March 2016 (continued)

One Point simplifies the delivery of mobile voice and data services by unifying best in class technologies to improve performance. The group has a controlling investment in One Point which operates under its own brand and leadership team.

Systems Investment

As part of our strategic plan, we are enhancing the services provided to customers and efficiently scaling the delivery of those services, through the replacement of our core operating systems. During the year we have completed the initial implementations of our new Service Management Solution using the market leading Servicenow application and replaced our telephony systems with an Avaya solution in addition to transitioning our financial reporting systems to IBM's Cognos applications.

Investment in People

We understand the importance of our people to the future success of the company and to ensuring that our customers receive the correct level of pre and post sales technical support. Investment in people remains a key feature in the transition of the company's cost base and is essential to delivering to customers the quality services they require. As our business changes we continue to evaluate the mix of our people's skills required to deliver the services our customers need now and in the future.

In the last year we have managed our headcount closely with the average little changed at 1800, whilst the average cost per head has risen by 5.6% reflecting the change in resources mix and consequent increase in skill base.

Costs	Annual Growth %	5 Year Growth Rate CAGR %
Average Headcount	+ 0.9	- 0.9
Costs	+ 6.5	+ 4.9
Cost per Head	+ 5.6	+ 5.8

Contribution per Head	Annual Growth %	5 Year Growth Rate CAGR %
EBITDA	+ 26	+ 20
PBT	+ 14	+ 27

Future Investments

The company recognises the importance of focused investment to the sustainable future of the company and is committed to investing in the future of SCC. We plan to generate cash from our operations to support further investment where appropriate opportunities exist and as part of the financially secure SCC EMEA and Rigby groups, the company is assured of further group funds being available to make strategically important investments if required. We remain committed to the long term development of the business through organic investment and acquisition consistent with our long term integrated managed services strategy.

Our Customers

Our customer base is spread over both public and private sector mid-market companies. We have an impressive list of clients including British Airways, HMRC, The National Trust, CSC, Department for Work and Pensions, Atradius, GIST, many NHS Trusts, Nissan, Jaguar Land Rover, IBM among many others.

Our Partners

Strategic Vendor Partnerships underpin our business strategy. Partnerships have been established with many vendors of which HP, EMC, Cisco, IBM, VMWare, Microsoft, NetApp, Lenovo and Oracle are pre-eminent. We hold significant Vendor Accreditations with all of our partners.

Vendor Awards

We actively pursue a strategy underpinned by technologies like cloud, mobility, big data and security. Recognition by global leaders in these areas confirms the credibility of our approach.

Over the last few years, we have been awarded a number of UK and global awards from several vendor partners, including HP, Oracle and IBM.

SCC have been recognised as Oracle's UK and European Server and Storage Partner of the Year, as well as Oracle's Global Specialised Partner of the Year in Service and Storage.

Following recognition with the HP Partner One Worldwide New Style of IT Partner of the Year Award, which honoured the company for its sustained innovation in cloud, mobility, big data and security areas of IT, we became one of a select few HP Inc Platinum Partners in the UK.

In 2016, we were named IBM's top business partner in Europe after being awarded the IBM Choice Award for Top Business Partner, Europe in recognition of commitment to IBM values and client satisfaction.

Our position as leading IT Managed Services provider in the UK has been reinforced by winning IT Europa's prestigious award for Managed Service Solution of the year. IT Europa's European IT and Software Excellence Awards recognise best practice in customer solutions and was given in recognition of our complex Data Centre migration project delivered for WH Smith.

This award follows our recent naming as Managed Services provider of the year at the UK CRN Awards further enhancing our reputation as a leading IT Managed Services provider, where SCC were recognised for a "clear strategy and exceptional service".

Financial Review

Principal Risks & Uncertainties

Competitive pressures in the UK market where the company generates almost all of its revenue represent a continuing risk. The company manages this risk by providing high standards of service provision and through fast customer response times in the supply of products and in the handling of queries. The company benefits from a number of long standing relationships with many substantial suppliers and customers. All these relationships are the focus of significant management attention at all levels in the organisation to minimise any adverse impact on the financial performance of the company.

Key Performance Indicators

The company produces detailed management reports and financial statements on a monthly or more frequent basis. Tracking Key Performance Indicators ("KPI's") are an integral part of this reporting. Monthly management reporting focuses on the actual performance of the business compared to the budget set for the current financial year and the comparable period of the previous financial year.

The financial KPI's that are a part of this review process include EDITA, EBITDA, turnover growth, gross profit percentage, overhead costs as a percentage of sales, pre-tax return on sales and working capital management via the reporting of the company's cash conversion cycle. Non-financial measures tracked include employee turnover, employee numbers and sales revenue per employee. A significant number of other operational KPI's are monitored in relation to the company's performance in respect of contractual arrangements with both customers and suppliers.

Treasury

Our Net Cash position remains strong, finishing the year at £126m compared to £133m as at the prior year end. Organic investments including our data centre investments in the year are funded through cash without taking out of additional debt leading to the slight decline in cash at the year end. Long standing banking facilities in place with HSBC extend for a further two years until 2018.

Research and Development expenditure

During the last year we invested £2m in research and development activity which is driven by the need to develop innovative solutions to our customers' needs. Last years' expenditure was in line with our annual investment levels which exceed £2.7m per year on average over the last five years.

FY17 Outlook

Total company turnover is not expected to grow significantly as we maintain our strategy to grow services revenue whilst we continue to restrict low margin business. We expect to grow both EBITDA and profit before tax in the coming years.

We have invested in new solutions within our CDMS business, will benefit from the growth in our group Global Delivery Centres which will expand to Vietnam and will take advantage of group investments in complementary technologies. Our extensive capabilities over infrastructure, data and connectivity will be extended through Voice and Mobility Solutions.

Whilst all these new opportunities will not deliver their full potential in the coming financial year we are building a services business fit to support our customers on their IT journey, supporting their on and off premise environments.

Underpinned by strong services annuity revenues, a growth in our Cloud Delivered Managed Services and our investments in Data Centre assets we expect our core business to deliver improved results in the financial year.

SCC EMEA Limited: Operations and Performance

Specialist Computer Centres plc is a key part of the SCC EMEA group, which operates successfully from SCC branded operations in France, Spain and Romania and under the M2 branded company M2 Digital Ltd in the UK. In each of these territories, we operate in legal entities separate to our UK operating company.

In France, SCC traded during the year as SCC S.A., SCH Leasing Services S.A., and Large Network Administration Ltd. In Spain we operate as Specialist Computer Centres S.L and in Romania as S.C. SCC Services Romania SRL.

In the UK we trade as SCC and M2 and together with the Technology interest of the Rigby Group (Fluidata Ltd, One Point Communications Ltd and Sip Communications Ltd) have a combined Services Turnover of over £200m, making the group one of the UK's largest independent providers of IT services.

Consolidated Financial Highlights



This financial summary of SCC EMEA includes the results of the UK company, Specialist Computer Centres plc, together with all of the subsidiaries of SCC EMEA Ltd of which the principal trading companies are shown above. The full results of the SCC group of companies are reported in the consolidated financial statements of SCC EMEA Ltd and the results of Fluidata, One Point Communications and Sip Communications are reported in the consolidated financial statements of Rigby Group (RG) plc.

Turnover

Turnover was 8% higher at €2.1billion though the sterling equivalent remained constant at £1.5billion. Underlying turnover adjusted to a constant currency basis, grew by 4% with the sterling: euro exchange rate reducing turnover by £64m.

Our operations in France and the UK generated over 96% of total turnover – with France the marginally larger operation at 54%, consistent with the share in the prior year.

EBITDA

Consolidated EBITDA for the year grew 4% to £32m from £31m, primarily driven by growth in the UK. After excluding the effects of currency variance, this represents an 8% growth over the prior year.

Of total EBITDA, 99% was generated in France and the UK, with the UK operating businesses delivering 79% at £25.6m.

Adverse currency movements impacted our results in the year with EBITDA adversely impacted by £0.5m as over 30% of EBITDA originated in Euros declined in sterling value during the year. Sterling's strength against the Euro had less of an impact than in the prior year despite a 7% decline in each period due to the lower share of Euro denominated EBITDA in the current year.

Revenues in SCC France reached €1.1bn, growth of 10% from €1.0bn in the prior year, with €13.3m of EBITDA. The business continued to grow with new government and private sector contracts and has a clear strategy to improve the services business revenues and profitability.

Strategic Report for the Year Ended 31 March 2016 (continued)

SCC's Spain operations improved turnover by 5% to €63.9m continuing revenue growth which exceeds 35% over two years. The business remains profitable with good prospects for the coming financial year.

SCC Romania saw revenues continue to grow by 28% reaching €15m. Headcount has maintained the growth seen over the last few years to nearly 1000 with further growth expected in the coming financial year. Celebrating 10 years of operation, our near shore support services operation was awarded Outsourcing Company of the Year at the prestigious Regional IT and Outsourcing Industry Awards (2016), as well as "SSC Company of the Year" at the Romanian Outsourcing Awards for excellence, the highest level of award for Shared Services operations in Romania.

Cash Generation

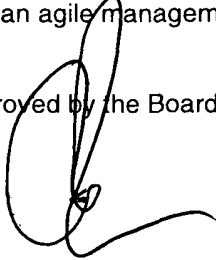
Group net cash improved 5% year on year as strong EBITDA and control of working capital were able to fund organic investments.

Outlook for SCC EMEA for 2017

The group has strong operations in France and the UK which continue to generate cash and profit. With clear focus in each territory focusing on achievable growth in their services businesses, the outlook for the future and the coming fiscal period is good. Our strategy to grow annuitised revenue streams underpins our plan to deliver a £50m EBITDA business by 2017.

It is too early to evaluate the impact on the group, of the UK referendum on EU membership. The group's trading companies operate within their own country with insignificant cross border sales which could be impacted by the UK's exit from the EU. A well-diversified customer and vendor set together with an agile management team will support the company and group through any market volatility.

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



James Rigby
Chief Executive
22 August 2016

Directors' Report for the Year Ended 31 March 2016

The Directors present their annual report, audited financial statements of the company and auditor's report for the year to 31 March 2016.

Strategic Report

A separate Strategic Report has been prepared in compliance with the Companies Act 2006 and contains information about the company's business model, strategy, business performance over the last year and its prospects for the future, together with its research and development expenditure.

Summary Performance and Dividends declared

The company's activities during the year generated turnover of £621m representing a decline of 2% over the prior year. Profit before tax of £14.4m was generated in the year compared to £12.5m in the prior year.

FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", (FRS 102), has been adopted as the company's accounting standard for the year and the comparable results for the prior year restated from those previously reported to reflect this new standard, see note 25. Accounting for foreign exchange denominated contracts and forward contracts entered into to provide operational revenue and cost certainty, have created variations in operating profit not previously experienced.

No dividends were declared during the year resulting in a growth in Net Assets of £11.2m over the last two financial years since March 2014. A dividend of £10m was declared and paid in the prior year.

Net Assets at the 31 March 2016 were £94.4m at the top end of the target range. At current levels of Net Assets and profitability we would expect to make a dividend in the coming financial years.

Financial Risks

The company is a UK based business financed by equity, cash generated from operations and external debt maintained to meet operational liquidity requirements. Transactions are denominated primarily in sterling however where appropriate forward currency contracts are entered into to eliminate any exposure to foreign currency fluctuations. External financing facilities are denominated in sterling and are at floating market rates with no interest rate derivatives in place.

The company's principal financial operating risks are Liquidity and Credit Risk.

Liquidity Risk

Liquidity is managed through efficient operational cash management processes combined with forward looking treasury policies designed to ensure that funding will always be available to meet projected peak requirements. At the 31 March 2016, the company had a Net Cash position of £126m, consistent though slightly below the prior period as cash generated from operations was used to fund organic investments. Cash pooling arrangements are in place for the company's sterling facilities and efficient treasury operations across the group minimise net interest costs. Long standing banking relations are in place, notably with HSBC Bank plc. Counterparty risk is considered when selecting all funding partners and the company's counterparty risk profile closely monitored.

As a wholly owned subsidiary of both the SCC EMEA Ltd and the Rigby Group (RG) plc groups of companies, the company has access to considerable funds for strategic use though these are not in use at the 31 March 2016, nor have they been required during the year.

Directors' Report for the Year Ended 31 March 2016 (continued)

Credit Risk

Close management of customer credit risk is achieved through the setting of and monitoring of limits for each customer. Limits are set in line with the customer's profile of credit worthiness, the business needs and nature of engagement. Credit Insurance is maintained with a leading global insurance partner for a significant proportion of the customer base. Credit limits and profiles are regularly monitored by a dedicated credit function working closely with the operations team. Current levels of customer concentration and risk are considered by the directors to be acceptable.

Environment

SCC recognises the importance of its environmental responsibilities in all the markets in which it operates. In all activities, working practices and business relationships, we continuously work towards protecting, conserving and enhancing all aspects of the environment. In order to achieve these objectives, SCC seeks to always meet the necessary regulatory requirements and continues to raise the awareness of all employees to environmental issues. We will always seek to minimise any impact on the environment through appropriate schemes, such as recycling, and manage all sites in an environmentally sensitive manner. SCC has put in place the necessary systems to manage, control and monitor performance in respect of environmental matters.

Since September 2010, SCC has been working with leading Carbon Management Company CO2 Balance to calculate and offset the carbon dioxide emissions created from the operation of our Data Centres and Recycling facility to achieve Carbon Zero status. This has been achieved through our support of projects such as the Energy Efficient Stove Project in Kenya and the Borehole Rehabilitation Project in Uganda.

Corporate Social Responsibility

Corporate Social Responsibility issues are important to our stakeholders and we are determined to fulfil our responsibilities to our customers, employees, suppliers, communities and the global environment. Our approach is supported by our family values.

We ensure that our business is conducted to rigorous ethical, professional and legal standards. We operate the business in an environmentally responsible manner, providing high quality and sustainable products and services to our customers with integrity and care; provide our people with a safe and rewarding workplace and act as good neighbours, making positive contributions to the communities in which we operate.

In September 2015 we achieved a prestigious Gold International CSR Excellence Award in the Science and Technology category where we were commended for our range of CSR initiatives.

We have set objectives to support our principles and which underpin our successful CSR programme. We aim to reduce our energy consumption in all key premises; off-set the Carbon Emissions from our UK Services Data Centres and from road vehicles; reduce Water and Waste Consumption; increase Employee's CSR Awareness; increase Recycling within our Refurbishment and Disposal operations; decrease Noise and Air Pollution; decrease consumption of Paper and Packaging; and to increase the number of Charity Partners that focus on social and environmental needs.

We run a successful apprenticeship scheme for 16-19 year olds within our Managed Services operation to provide real opportunities for young people in our locality to gain invaluable experience as they work towards City & Guilds qualifications.

Our commitments are monitored and evaluated by our Corporate Social Responsibility Committee.

Business Ethics

SCC is committed to ensuring full compliance with the Bribery Act 2010. Our corporate conduct is based on our commitment to acting professionally, fairly and with integrity.

SCC has a number of fundamental principles and values which it believes are the foundation of sound and fair business practice and as such are important to uphold. We have a zero tolerance position in relation to bribery, wherever and in whatever form that may be encountered. It is our policy to comply with all laws, rules and regulations governing bribery and corruption, in all the countries in which we operate.

Our comprehensive policy is applicable to all staff and covers all areas of our operations including gifts and hospitality, events and sponsorships, the making of all types of payments to businesses, charities or of a political nature and in the operation of credit policies within our business.

Taxation

We trade in the UK and pay UK tax. We do not nor do we plan to establish any offshore activities within our business or group designed to avoid meeting our responsibility to pay UK taxes.

Charitable Support

SCC has a long history of supporting the communities directly touched by our business and believes that building and maintaining relationships of trust in the community is vital to the sustainable future of our business. Our chosen charity partners are the Alzheimer's Society and Marie Curie Cancer Care through which we are able to support diverse organisations supporting a range of people and their families.

SCC has a long history of supporting the British Armed Forces and this support was recognised in the granting of a Bronze Award under the Defence Employer Recognition Scheme.

The Company is also an active supporter of The Rigby Foundation, a registered charity, which operates independently of the business and makes donations to various charitable organisations that have the following charitable purposes: the advancement of health or the saving of lives; the advancement of education; the advancement of the arts, culture and heritage; the advancement of amateur sport; and the relief of those in need, by reason of ill health and/or disability, financial hardship or other disadvantage.

There were no political contributions made by the Company during the year (2015 - £Nil).

Employees

The company recognises the importance of its employees and of equality for all staff. Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

The company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and communications on the company's internal and external websites. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Directors' Report for the Year Ended 31 March 2016 (continued)

Going Concern

In light of the financial and commercial positions set out in the Directors' Report and Strategic Reports and the considerable opportunities for future profitable growth, the directors consider that the company is in a strong position to manage its risks even in prolonged circumstances of weaker economic activity.

Accordingly the directors have given consideration to the basis for which the financial statements should be prepared and have concluded that they have reasonable expectation that the company has access to the resources necessary to continue in operational existence for the foreseeable future. They therefore continue to adopt the going concern basis of accounting in the preparation of the annual financial statements.

Directors and Directors' Indemnities

The following directors have held office since 1 April 2015:

Sir Peter Rigby, Ms P Rigby, Mr J Rigby, Mr S Rigby, Mr M J Swain, Mr J Bland, Mrs P A Swain, Mrs T Westall, Mr P Everatt, Mr P Whitfield.

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.

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", (FRS 102). 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;
- 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval of Reduced Disclosures

The company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102, paragraph 1.12, in respect of presenting a Cash Flow Statement, related party, shared based payment and financial instrument disclosures. The company's shareholders have been notified in writing about this intention to take advantage of the exemptions and no objections have been raised.

Auditors

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company.

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

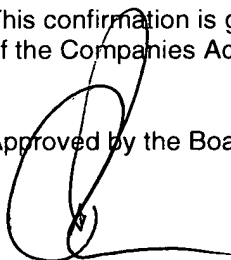
Statement of Disclosure to the Auditors

Each of the directors at the date of approval of this report confirms that:

- so far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all 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 Section 418 of the Companies Act 2006.

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



James Rigby
Chief Executive
22 August 2016

Independent Auditor's Report to the Members of Specialist Computer Centres plc

We have audited the financial statements of Specialist Computer Centres plc for the year ended 31 March 2016 which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and the Republic of Ireland", (FRS 102).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Specialist Computer Centres plc

Independent Auditor's Report to the Members of Specialist Computer Centres plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**Andrew Halls FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP**

Chartered Accountants and Statutory Auditor
Birmingham
United Kingdom

22 August 2016

Specialist Computer Centres plc

Profit and Loss Account for the Year Ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Turnover	3	620,915	634,965
Cost of Sales		(525,390)	(544,002)
Gross profit		95,525	90,963
Administrative expenses		(82,403)	(80,978)
Operating profit		13,122	9,985
Finance Income (net)	4	1,296	2,544
Profit on ordinary activities before taxation	5	14,418	12,529
Tax on profit on ordinary activities	8	(3,185)	(2,634)
Profit for the year		11,233	9,895

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There is no other comprehensive income other than that passing through the profit and loss account and consequently no statement of comprehensive income has been prepared.

The notes on pages 27 to 48 form part of these financial statements.

Profit and Loss for the year ended 31 March 2015 previously reported has been restated to comply with the requirements of FRS 102, see note 25.

Specialist Computer Centres plc

Balance Sheet As at 31 March 2016

	Notes	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	10	6,606	5,551
Tangible assets	11	56,137	55,577
Investments	12	13,499	12,949
		76,242	74,077
Current assets			
Stocks	13	4,629	3,854
Debtors			
- due within one year	14	161,276	147,651
- due after one year	14	4,087	2,000
Derivative financial assets	18	-	105
Cash at bank and in hand		126,453	132,556
		296,445	286,166
Creditors: amounts falling due within one year	15	(269,057)	(272,212)
Derivative financial liabilities	18	(784)	-
Net current assets		26,604	13,954
Total assets less current liabilities		102,846	88,031
Creditors: amounts falling due after more than one year	16	(8,269)	(4,451)
Provisions for liabilities	17	(143)	(379)
		94,434	83,201
Capital and reserves			
Called up share capital	19	1,026	1,026
Profit and loss account		93,382	82,149
Share based payment reserve		26	26
Shareholders' funds		94,434	83,201

The company Balance Sheet as at 31 March 2015 previously reported has been restated to comply with the requirements of FRS 102, see note 25.

Approved by the Board and authorised for issue on 22 August 2016


James Rigby
 Chief Executive
 Company Registration No. 01428210

Specialist Computer Centres plc

Statement of Changes in Equity for the Year Ended 31 March 2016

	Notes	Called up share capital £'000	Share Based Payment Reserve Loss £'000	Profit and Loss Account £'000	Total £'000
At 31 March 2014 (as previously reported)		1,000	-	82,254	83,254
Changes on transition to FRS 102	25	-	-	-	-
At 1 April 2014 (as restated)		1,000	-	82,254	83,254
Shares issued during the year		26	26	-	52
Profit for the financial year	25	-	-	9,895	9,895
Dividends paid	9	-	-	(10,000)	(10,000)
At 31 March 2015		1,026	26	82,149	83,201
At 1 April 2015		1,026	26	82,149	83,201
Profit for the financial year		-	-	11,233	11,233
At 31 March 2016		1,026	26	93,382	94,434

There is no difference between profit for the year and total comprehensive income.

1 ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and in the preceding year.

1.1 General information and basis of accounting

Specialist Computer Centres plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the company's activities are set out in the Strategic Report on pages 4 to 16.

The financial statements are prepared under the historical cost convention, modified to include derivative financial instruments at fair value and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

This is the first year that the Company has presented its financial statements under FRS 102. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition to FRS 102 was therefore 1 April 2014. As a consequence of adopting FRS 102, there have been a number of additional disclosure requirements in these financial statements.

The prior year financial statements were restated on adoption of FRS 102 in the current year, see note 25. The functional currency of the company is considered to be pounds sterling because that is the currency of the primary economic environment in which it operates.

The company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of certain disclosure exemptions available to it in respect of its financial statements in relation to preparing a Statement of Cash Flows, related party, share based payments and financial instrument disclosures. As a wholly owned subsidiary of SCC EMEA Limited it has taken advantage of the exemption under section 400 of the Companies Act 2006 from preparing consolidated financial statements.

1.2 Going concern

The company's business activities, together with factors likely to affect its future developments, performance and position are set out in the Strategic Report on pages 4 to 16. The director's report on pages 17 to 21 describes the financial position of the company; its financial risk management objectives and its exposure to credit risk and liquidity risk.

The company is part of the SCC EMEA Ltd ("EMEA") and the Rigby Group (RG) plc ("RG") groups, which has secured banking facilities in both the UK and Continental Europe used to meet its day to day working capital requirements. The current economic conditions create uncertainty particularly over the level of demand for the group's products and services; the exchange rate between Sterling and Euro and the availability of bank finance in the foreseeable future.

The company and both the EMEA and RG group's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the group and company should be able to operate within the level of its current facilities and available cash resources. As a consequence, the directors believe that the group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

1.3 Intangible assets - Goodwill

Goodwill arising on the acquisition of subsidiary undertakings businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its expected useful economic life of 10 years. Provision is made for any impairment.

1.4 Intangible assets – Software Costs

Software costs are capitalised as intangible assets at historic cost and amortised over the expected useful economic life on a straight line basis. This period is over one to five years. Provision is made for any impairment.

1.5 Intangible assets – research and development costs

Research expenditure is written off as incurred. Development expenditure is also written off as incurred except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases and provided they meet the criteria in accordance with Section 18 of FRS 102, the identifiable expenditure is capitalised as an intangible asset and amortised on a straight line basis over the period during which the Company expects to benefit. This period is over one to five years. Provision is made for any impairment.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life on a straight line basis, as follows:

Freehold Buildings	50 years
Leasehold Land & Buildings	up to 40 years
Fixtures and Equipment	3 to 20 years
Motor vehicles	3 to 5 years
Short leasehold improvements	10 years

The cost and depreciation attributable to leasehold improvements is included within leasehold buildings.

Depreciation is not provided on assets in the course of construction until the asset is complete and ready for its intended use. An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset after deducting estimated costs of disposal if the asset were already of the age and in the condition expected at the end of its useful life.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

1.7 Investments

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

1.8 Stock

Goods held for resale are stated at the lower of purchase cost and estimated selling price less cost to sell which is equivalent to the net realisable value. Cost comprises third party purchase cost net of attributable rebates and is calculated using the FIFO (first in, first out) method. No internal labour or overhead costs are included. These stocks are analysed by age and provision is made for obsolete, slow moving or defective items where appropriate.

Maintenance stocks are stated at purchase cost less a provision created to reflect age and the current levels of item usage within the business. Where items have not been used in the last three years then no value is attributed to these parts even though they may be retained for future use, where upon, a value may be attributed to them based on the current replacement cost.

1.9 Impairment of Assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, 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 assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

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 financial 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.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

1.10 Financial Instruments

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

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

(i) Financial assets and liabilities

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

Financial assets and liabilities are only offset when and only when there is a legally enforceable right of offset.

Financial assets are derecognised when and only when the contractual rights to the cash flows from the asset expire or are settled, or the company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or the company, despite having retained some significant risks and rewards of ownership has transferred control of the asset to another party which has the practical ability to sell the asset to an unrelated third party unilaterally and without imposing further restrictions on the transfer.

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

(ii) Derivative Financial Instrument

The Company holds a number of foreign currency forward contracts in order to reduce exposure to foreign exchange risk.

The company does not hold or issue derivative financial instruments for speculative purposes.

Forward contracts are initially measured at fair value at the date the contract is entered into and are subsequently re-measured to their fair value at each reporting date. The resulting gain or loss arising being recognised in the profit and loss account.

(iii) Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

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 financial 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.

1.11 Taxation

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

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

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

When the amount that can be deducted for tax as an asset (other than goodwill) that is recognised in a business combination is less/(more) than the value at which it is recognised a deferred tax liability/(asset) is recognised for the additional tax that will be paid/(avoided) in respect of that difference. Similarly a deferred tax asset/(liability) is recognised for the additional tax that will be paid/(avoided) because of a difference between the value at which the liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Deferred tax is measured using the tax rates that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference.

Where items recognised in other comprehensive income or equity are chargeable or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of the other comprehensive income or equity as the transactions which gave rise to the resultant tax charge or credit.

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

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

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

1.12 Turnover

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes. Revenue is recognised when persuasive evidence of an arrangement with a customer exists, delivery has occurred to the location as stipulated by the customer or all significant performance obligations have been completed, the price is fixed or determinable and the collection of the amount due is reasonably assured. Income from service contracts is recognised on a straight line basis over the period of the contracts or on a percentage completion basis as appropriate.

Rebates due to customers are accrued for in accordance with relevant contracts. Rebates reduce turnover and are held as other creditors until settlement is made.

1.13 Leasing accounting

Leased assets

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

Benefits received or receivable as an incentive to sign an operating lease are similarly spread on a straight line basis over the life of the lease.

1.14 Pension costs

The company makes contributions to a defined contribution Group Personal Pension Plan. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

1.15 Foreign currency translation

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. All exchange differences are included in the profit and loss account.

Forward foreign currency transactions are valued at fair value at the year-end using commercially quoted forward exchange rates using yield curves derived from quoted interest rates matching maturities of the contracts.

1.16 Borrowing costs

Borrowing costs which are directly attributable to the construction of tangible fixed assets are capitalised as part of the cost of those assets. The commencement of capitalisation begins where both finance costs and expenditures for the asset are being incurred and activities that are necessary to get the asset ready for use are in progress. Capitalisation ceases when substantially all of the activities necessary to get the asset ready for use are complete.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

1.17 Rebates and marketing income

Vendor rebates, allowances and marketing income are recorded as a reduction to cost of sales in the period in which the related goods and services are provided, or deducted from the cost of stock as appropriate in accordance with the underlying agreement with the vendor. Amounts received that require specific performance are recognised when the performance is satisfied, the amount is fixed and determinable and the collection is reasonably assured. Lump sum payments received in advance of performance are recognised over the life of the agreement.

1.18 Government grants

Government grants are recognised on the accruals basis and measured at the fair value of the asset received or receivable. Grants are classified as relating to either revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned.

1.19 Contractual Obligations under Preferred Vendor Schemes

Where the company enters into preferred supplier arrangements which include activity related obligations, the company tracks in detail such obligations and monitors achievement closely with the respective supplier. Provisions are made where additional obligations are payable or receivable under such schemes at the full value as determined by the contract unless alternative arrangements are put in place.

1.20 Share Based Payments

The company has issued equity-settled and cash-settled share based payments to certain employees. Equity-settled share-based payments are measure at fair value (excluding the effect of non-market based vesting conditions) at the date of the grant.

The fair value determined at the grant date of the equity-settled share based payment is expensed on a straight line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by the use of a valuation model considered to be most appropriate by the management. The cost of awards to employees that take the form of shares or rights to shares are recognised over the period to which the employee's performance relates.

Cost is calculated as the difference between the fair value of the shares at the date of grant (or book value of the shares if already held by the company) and the amount of the consideration that the employees may be required to pay for the shares.

The period over which the charge is recognised is the shorter of the performance period of the options (if performance related) or the period from the date the option is granted to the date that the employee becomes unconditionally entitled to the shares.

1.21 Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, 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 current market assessment of the time value of money and the risks specific to the liability.

2 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION OF 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 revision and future periods if the revision affects both current and future periods.

2.1 Critical judgements in applying the Company's accounting policies

The directors have not needed to apply any critical judgements during the year in applying the company's accounting policies.

2.2 Key sources of estimation of uncertainty

The key assumptions concerning the future, and other sources of estimation uncertainty at the balance sheet date that have a significant risk of causing material adjustment to the carrying value of the assets and liabilities within the next financial year, are discussed below.

Stocks of Spare Parts

Spare parts used by the company to support customers of the Managed Services division have significant value to the business, enabling customers to be quickly supported without delays associated with the procurement of low availability products. Levels of stocks of spare parts are reviewed by operational teams frequently to ensure all items are still required to support current customer contracts. Valuation of these items takes into account past frequency of use, age and the latest cost price. The directors consider that the combination of frequent operational review and cautious valuation method results in a prudent valuation of stocks which despite elements of uncertainty concerning future use and estimation in valuation does not result in any over-statement of the value attributed to these items.

Impairment of goodwill

There have been no events during the year which have required the company to undertake an impairment review and future projected profit more than justifies the carrying value of goodwill at the year end.

Vendor Rebates

At the year-end where vendor rebates remain unpaid, the amounts receivable are valued with reference to vendor performance reports and key performance measures where available. Where external confirmation is not available, receivables are only recognised where they can be measured accurately in line with achieved scheme objectives using confirmed earnings rates and available performance data. Vendor rebate schemes may apply to periods which extend beyond the end of the financial year and an estimation in relation to the post year end period may be required to accrue the correct sum in the financial year. In making the assessment of the correct receivable, the directors take a prudent approach assuming a normal level of trading in the period after the end of the financial year to ensure that in year performance is not overstated.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

3 SEGMENTAL INFORMATION

Geographical market

	Turnover	
	2016	2015
	£'000	£'000
United Kingdom	610,905	619,964
Continental Europe	10,000	14,858
Rest of the World	10	143
	<u>620,915</u>	<u>634,965</u>

Analysis of turnover by category

	2016	2015
	£'000	£'000
Sale of goods	461,367	491,942
Rendering of services	159,445	142,920
Government grants	103	103
	<u>620,915</u>	<u>634,965</u>

Grants represent amounts received in respect of our Data Centre Operations and are being released to the Profit and Loss account over the useful economic life of those assets.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

4 FINANCE INCOME (NET)

	2016	2015
	£'000	£'000
Interest payable and similar charges	(1,545)	(319)
Investment income	2,841	2,863
Finance income (net)	<u>1,296</u>	<u>2,544</u>

Interest payable and similar charges

	2016	2015
	£'000	£'000
On bank loans and overdrafts	429	180
Hire purchase interest	30	35
Payable to Group undertakings	1	51
Unwinding of discount on long term debtors/creditors	292	44
Fair value adjustment on forward contracts	784	-
Other interest	9	9
	<u>1,545</u>	<u>319</u>

Investment Income

	2016	2015
	£'000	£'000
Interest received on loans to group undertakings	2,604	2,656
Fair value adjustment on forward contracts	-	105
Unwinding of discount on long term debtors/creditors	237	65
Dividends received	-	37
	<u>2,841</u>	<u>2,863</u>

The whole of the company's operating profit is earned, and all net assets are held, in the United Kingdom.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Profit on ordinary activities before tax is stated after charging/ crediting:

	2016	2015
	£'000	£'000
Amortisation of intangible assets	1,727	915
Depreciation of tangible assets	7,021	6,309
Operating lease rentals	4,349	4,522
Fees payable to the company's auditor :		
Audit Fees	107	105
Non audit fees	6	57
Government grant income	(103)	(103)
Profit on disposal of tangible assets	(18)	(47)
(Gain) / Loss on foreign exchange transactions	(735)	105

The analysis of auditors' remuneration is as follows:

	2016	2015
	£'000	£'000
Fees payable to the company's auditor for the audit of the company's annual accounts	107	105
Tax compliance services	6	6
Other advisory services	-	51
Total non- audit fees	6	57

No services were provided pursuant to contingent fee arrangements.

6 STAFF COSTS

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

	2016	2015
	Number	Number
Sales	363	355
Engineering	1,086	1,056
Administrative	219	221
Warehouse	140	139
	<u>1,808</u>	<u>1,771</u>
Employment costs	£'000	£'000
Wages and salaries	76,819	71,568
Social security costs	8,910	8,693
Pension costs	1,685	1,805
	<u>87,414</u>	<u>82,066</u>

Pension costs relate to contributions made into defined contribution schemes.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

7	DIRECTORS' REMUNERATION	2016	2015
		£'000	£'000
	Remuneration for qualifying services	1,573	1,919
	Company Pension Contributions	93	93
		<u>1,666</u>	<u>2,012</u>

The above amounts do not include any gains made on the exercise of share options or the value of any shares or share options received. No directors exercised share options in the year (2015 - Nil). During the year, no share options were granted to the directors (2015 - Nil).

The directors Sir Peter Rigby, Ms P A Rigby, Mr J Rigby and Mr S P Rigby are paid by Rigby Group (RG) plc, the ultimate parent company, and as such their total emoluments is disclosed in the financial statements of Rigby Group (RG) plc, but it is not practicable to determine the proportions of such emoluments which are attributable to the directors' services to the company. The emoluments of Mr. P Whitfield are borne by and disclosed in the financial statement of SCC EMEA Limited and those of Mr. P Everatt whilst borne by SCC EMEA Limited are included in the above disclosure as he is not a statutory director of SCC EMEA Limited. The total remuneration of directors paid by other group companies was £689,000. In addition some of these directors are accruing benefits under a group pension scheme with total contributions of £9,100 paid on their behalf.

Pensions

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 5 (2015 - 6).

Highest-paid director

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2016	2015
	£'000	£'000
Remuneration for qualifying services	443	443
Company pension contributions to defined contribution schemes	40	40
	<u>483</u>	<u>483</u>

The highest paid director exercised no share options during the year (2015 - Nil) and was granted no share options during the year (2015 - Nil).

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2016	2015
	£'000	£'000
Domestic current year tax		
UK Corporation tax	2,938	2,227
Adjustment for prior years	(52)	(259)
Total current tax	<u>2,886</u>	<u>1,968</u>
Deferred tax		
Origination and reversal of timing differences	175	558
Deferred tax adjustments arising in previous periods	97	135
Effect of changes in tax rates	27	(27)
	<u>299</u>	<u>666</u>
Total tax	<u>3,185</u>	<u>2,634</u>
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	<u>14,418</u>	<u>12,529</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2015 - 21%)	<u>2,883</u>	<u>2,631</u>
Effects of:		
Expenses not deductible for tax purposes	229	162
Brought forward losses utilised	-	(9)
Tax rate changes	27	(26)
Adjustment to tax charge in respect of previous periods	46	(124)
	<u>302</u>	<u>3</u>
Total Tax charge for the year	<u>3,185</u>	<u>2,634</u>

The standard rate for UK corporation tax is currently 20% (2015: 21%).

The Finance Act 2015 included legislation to reduce the main rate of UK corporation tax from 20% to 19% from 1 April 2017 and to 18% from 1 April 2020. The 19% rate has been utilised in the financial statements for the purposes of calculating deferred tax assets and liabilities (2015 – 20%).

In addition, it was announced in the March 2016 Budget Statement that the main rate of corporation tax will be further reduced by 1% to 17% from 1 April 2020. This further rate reduction had not been substantively enacted at the balance sheet date and has therefore not been reflected in these financial statements.

There is no expiry date on timing differences, unused tax losses or tax credits.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

9 DIVIDENDS

	2016	2015
	£'000	£'000
No Final dividend has been paid (2015 - £10.00 per ordinary share)	<u>-</u>	<u>10,000</u>

10 INTANGIBLE FIXED ASSETS

	Goodwill	Software costs	Total
	£ '000	£ '000	£ '000
Cost			
At 1 April 2015	3,902	7,437	11,339
Additions	-	2,783	2,783
Disposals	-	(19)	(19)
At 31 March 2016	<u>3,902</u>	<u>10,201</u>	<u>14,103</u>
Amortisation			
At 1 April 2015	1,748	4,040	5,788
Charge for the year	390	1,337	1,727
Disposals	-	(18)	(18)
At 31 March 2016	<u>2,138</u>	<u>5,359</u>	<u>7,497</u>
Net book value			
At 31 March 2016	<u>1,764</u>	<u>4,842</u>	<u>6,606</u>
At 31 March 2015	<u>2,154</u>	<u>3,397</u>	<u>5,551</u>

Software costs were previously reported as part of Tangible Fixed Assets. Amortisation has been charged in the profit and loss account within administrative expenses.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

11 TANGIBLE FIXED ASSETS

	Freehold Land & Buildings	Leasehold Buildings	Fixtures & equipment	Assets in the course of construction	Motor Vehicles	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2015	10,878	13,214	51,865	2,387	2,897	81,241
Additions	-	2,240	4,111	1,153	223	7,727
Reclassification	-	116	58	(174)	-	-
Disposals	-	(562)	(470)	-	(206)	(1,238)
At 31 March 2016	10,878	15,008	55,564	3,366	2,914	87,730
Depreciation						
At 1 April 2015	21	5,004	18,874	-	1,765	25,664
On disposals	-	(487)	(411)	-	(194)	(1,092)
Reclassification	-	63	(63)	-	-	-
Charge for the year	261	726	5,610	-	424	7,021
At 31 March 2016	282	5,306	24,010	-	1,995	31,593
Net book value						
At 31 March 2016	10,596	9,702	31,554	3,366	919	56,137
At 31 March 2015	10,857	8,210	32,991	2,387	1,132	55,577

Fixed assets were previously reported including software costs which are now included in Intangible Assets.

Included above are assets held under finance leases or hire purchase contracts as follows:

Net book values	Motor Vehicles £'000
At 31 March 2016	<u>671</u>
At 31 March 2015	<u>943</u>

During the year the company reviewed the useful lives of all of its datacentre assets following an operational review of the datacentre facilities. This review resulted in an extension to the life of physical assets. In addition, a review was performed of the remaining life of datacentre solution software in the context of customer use of and demand for these products which indicated a longer than previously expected useful life. The impact of the review on the year to March 2016 has been to reduce depreciation charges by £1.6m. Future depreciation charges will be reduced in the next financial year by £1.7m over the sum previously expected, with higher depreciation charges in subsequent years primarily in the 5 years ended March 2023.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

12 FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings
Cost	£'000
At 1 April 2015	12,949
Additions	550
At 31 March 2016	<u>13,499</u>
Provisions for impairment	
At 1 April 2015 and At 31 March 2016	<u>-</u>
Net book value	
At 31 March 2016	<u>13,499</u>
At 31 March 2015	<u>12,949</u>

During the year, the company increased its investment in M2 Smile Limited by £550,000 in expectation of purchasing B1 ordinary and C1 ordinary shares in the company within the next year.

During the year, the following companies of which £1 investments were held, were dissolved: TW2.Com; TW2 Communications Limited; Underground Computing Limited; Technical Support Group Limited; The Byte Shop Limited; Third Wave Europe Limited; Rapid Recall Limited; Specialist Technology Trading Limited and Lantec Information Services Limited.

Subsidiary undertakings

The company directly and indirectly holds investments in the ordinary share capital of the following subsidiary undertakings.

Company Subsidiary Undertaking	Country of Incorporation	Principal Activity	Percentage Holding %
M2 Smile Limited	England and Wales	Holding Company	100
M2 Digital Limited	England and Wales	Print Services	100
SCC UK Limited	England and Wales	Dormant	100
SCC Capital Limited (formerly SCC Financial Services Ltd)	England and Wales	Dormant	100
M2 Smile Employee Benefit Trust Limited	England and Wales	Dormant	100

On 5 April 2016 M2 Smile Employee Benefit Trust Limited was removed from the register.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

13 STOCKS

	2016	2015
	£'000	£'000
Maintenance stock	832	755
Finished goods and goods for resale	3,797	3,099
	<u>4,629</u>	<u>3,854</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

14 DEBTORS

Amounts due within one year:	2016	2015
	£'000	£'000
Trade debtors	125,670	124,105
Amounts owed by group undertakings	13,223	7,356
Other debtors	5,707	3,659
Prepayments and accrued income	16,621	12,503
Deferred tax asset	55	28
	<u>161,276</u>	<u>147,651</u>

The trade debtors act as security for a confidential invoice discounting facility.

Amounts falling due after more than one year	2016	2015
	£'000	£'000
Trade debtors	3,608	1,192
Deferred tax asset	479	808
	<u>4,087</u>	<u>2,000</u>

Deferred Tax	£'000
Balance at 1 April 2015	836
Profit and loss account	(302)
Balance at 31 March 2016	<u>534</u>

	Not provided		Provided	
The deferred tax asset is made up as follows:	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Decelerated capital allowances	-	-	479	808
Other timing differences	-	-	55	28
Tax losses available	-	109	-	-
	<u>-</u>	<u>109</u>	<u>534</u>	<u>836</u>

At 31 March 2015 a deferred tax asset amounting to £109,000 for excess trading losses arising on a certain trade was not been recognised because it is not sufficiently certain that there will be suitable taxable profits available in the future to utilise the tax losses. At 31 March 2016 there are no deferred tax assets which have not been provided for.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

15 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£'000	£'000
Net obligations under hire purchase contracts	288	363
Trade creditors	150,885	159,052
Amounts owed to group undertakings	61,083	60,446
Corporation tax	776	691
Other taxes and social security costs	10,944	8,653
Other creditors	3,675	3,183
Accruals and deferred income	41,303	39,721
Government grants	103	103
	<u>269,057</u>	<u>272,212</u>

16 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2016	2015
	£'000	£'000
Net obligations under hire purchase contracts	157	297
Trade Creditors	5,237	1,305
Accruals and deferred income	2,107	1,979
Government grants	768	870
	<u>8,269</u>	<u>4,451</u>

Net obligations under hire purchase contracts

Repayable within one year	288	363
Repayable between one and five years	<u>157</u>	<u>297</u>
	445	660
Included in liabilities falling due within one year	<u>(288)</u>	<u>(363)</u>
	<u>157</u>	<u>297</u>

The obligations under finance leases and hire purchase contracts are secured over motor vehicles.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

17 PROVISIONS FOR LIABILITIES

	£'000
Balance at 1 April 2015	379
Utilised in the year	<u>(236)</u>
Balance at 31 March 2016	<u>143</u>

Provisions for liabilities and charges comprise onerous lease provisions which will be utilised within the next financial year.

18 DERIVATIVE FINANCIAL INSTRUMENTS

	2016	2015
	£'000	£'000
Assets		
Forward foreign currency contracts	<u>-</u>	<u>105</u>
	<u>-</u>	<u>105</u>
Liabilities		
Forward foreign currency contracts	<u>784</u>	<u>-</u>
	<u>784</u>	<u>-</u>

Forward foreign currency contract transactions are valued at fair value at the period end using quoted forward exchange rates and yield curves derived from quoted interest rates and matching maturities of the contracts.

The following table details the forward foreign currency contracts outstanding at the year-end:

	2016	2015	Nominal Value		Fair Value	
			2016	2015	2016	2015
	Rate	Rate	£'000	£'000	£'000	£'000
Buy US Dollar						
Less than 3 months	1.409	1.498	7,799	4,880	7,650	4,980
Buy Euros						
Less than 3 months	1.265		158	-	159	-
			<u>7,957</u>	<u>4,880</u>	<u>7,809</u>	<u>4,980</u>
Sell Euros						
Less than 3 months	1.352	1.37	1,793	1,133	1,925	1,129
In 4 months to 1 year	1.346		4,179	-	4,485	-
Between 1-2 years	1.330		2,113	-	2,262	-
Between 2-3 years	1.298		981	-	1,029	-
			<u>9,066</u>	<u>1,133</u>	<u>9,701</u>	<u>1,129</u>

The company has entered into contracts with suppliers to buy goods in US Dollars. The company has also entered into contracts to supply goods to customers in Euros. The company has entered into forward foreign currency transactions to hedge the exchange rate risk arising from these anticipated future transactions, which are considered by management as hedges of foreign exchange risk in a highly probable forecast transaction. The hedged cash flows are expected to occur and to affect profit or loss within the next 3 financial years. A net loss of £49,000, was recognised in the profit and loss account in excess of the fair value of the hedging instruments (2015: £Nil).

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

19 CALLED UP SHARE CAPITAL

	2016	2015
	£'000	£'000
Allotted, called up and fully paid		
1,000,000 Ordinary shares of £1 each	1,000	1,000
21,540 C Ordinary shares of £1 each	21	21
3,591 D Ordinary shares of £1 each	4	4
1,540 E Ordinary shares of £1 each	1	1
	<u>1,026</u>	<u>1,026</u>

The other reserves of the Company comprise:

Share based payment reserve being the premium on issue of shares issued under the share based payment scheme.

Profit and loss reserve comprising the cumulative profit and losses of the company, net of any dividends paid.

20 EMPLOYEE SHARE SCHEME

In 2015 the company issued 'C', 'D' and 'E' ordinary shares under three employee share schemes which may be exercised during a 12 month period from 1 July 2017. Participants of the scheme can put their shares on SCC UK Holdings Limited at the prevailing market value of the shares. The pay-out for each class of share is contingent on future profit growth and is subject to an overall cap.

Under the schemes a total of 26,671 shares have been issued, the fair value of which at the issue date has been determined to be £2 per share. The valuation has been determined using an EBITDA multiple of the SCC group's current and future planned earnings which has been discounted to reflect future uncertainty.

21 FINANCIAL COMMITMENTS

	2016	2015
	£'000	£'000
Capital commitments are as follows		
Contracted but not provided for:		
- property non-finance lease	5,237	-
	<u>5,237</u>	<u>-</u>

Total future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land & Buildings		Other	
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Within one year	2,265	2,448	1,279	1,315
Between two and five years	6,863	6,972	849	1,168
In over five years	25,532	26,915	-	-
	<u>34,660</u>	<u>36,335</u>	<u>2,128</u>	<u>2,483</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

22 CONTINGENT LIABILITIES

There are cross guarantees on the overdrafts and bank loans of certain undertakings in the UK group of companies owned directly or indirectly by SCC EMEA Limited. At 31 March 2016, the indebtedness of the UK group undertakings amounted to £95,894,000 (2015-£105,914,000).

23 RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

As a subsidiary undertaking of SCC UK Holdings Limited, the company has taken advantage of the exemption in FRS 102 from disclosing transactions with other wholly owned companies within the group headed by Rigby Group (RG) plc.

24 CONTROL

Ultimate parent undertaking

The company is a subsidiary undertaking of SCC UK Holdings Limited; a company registered in England and Wales.

The results of SCC UK Holdings Limited are consolidated into those of Rigby Group (RG) plc, registered in England and Wales, whose principal place of business is at Bridgeway House, Stratford Upon Avon, Warwickshire, CV37 6YX and of SCC EMEA Limited registered in England and Wales, being the smallest group for which consolidated financial statements are prepared and whose principal place of business is at James House, Warwick Road, Birmingham, B11 2LE. The largest group of which the company is a member, and for which consolidated financial statements are drawn up, is that headed by Rigby Group (RG) plc. Consolidated financial statements are available at Bridgeway House, Stratford Upon Avon, Warwickshire, CV37 6YX.

Ultimate controlling body

Sir Peter Rigby, a director of Rigby Group (RG) plc, controlled the company as a result of beneficially holding 75% of the issued ordinary share capital of Rigby Group (RG) plc, the ultimate parent undertaking.

Notes to the Financial Statements for the Year Ended 31 March 2016 (continued)

25 EXPLANATION OF TRANSITION TO FRS 102

This is the first year that the Company has presented its financial statements under FRS 102 issued by the Financial Reporting Council. The following disclosures are required in the year of transition. The last financial statements under previous UK GAAP were for the year ended 31 March 2015 and the date of transition was therefore 1 April 2014. As a consequence of adopting FRS 102 there have been the following changes to our accounting policies:

Basic Financial Instruments

Long term trade receivables and trade payables are now reported at the discounted present value of the future cash flows. Forward contracts have been restated at fair value using the appropriate forward rates applicable at the year end.

Tangible Fixed Assets

Software costs previously recognised as tangible fixed assets have been re-classified as intangible fixed assets. The corresponding depreciation charge has subsequently been treated as amortisation in the profit and loss account. There has been no adjustment to the assessment of the useful economic life of these assets as a result of this re-classification.

Reconciliation of Equity	31-Mar 2015 £'000	01-Apr 2014 £'000
Equity reported under previous UK GAAP	83,185	83,254
Fair value adjustment on derivative financial instruments	105	(18)
Foreign currency effects on translation at closing rate	(105)	18
Unwinding of discount on long term monetary assets/liabilities	21	-
FRS 102 combined deferred tax effect	(5)	-
As restated for FRS 102	<u>83,201</u>	<u>83,254</u>
Reconciliation of profit or loss for year to 31 March 2015		2015 £'000
Profit for the year to 31 March 2015 as reported under previous UK GAAP		9,879
Unwinding of discount on long term monetary assets/liabilities		21
Fair value adjustment on derivative financial instruments		105
Foreign currency effects on translation at closing rate		(105)
FRS 102 combined deferred tax effect		(5)
Profit for the financial year to 31 March 2015, under FRS 102		<u>9,895</u>