

**GROUP STRATEGIC REPORT,
REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017
FOR
365 ITMS LIMITED**



365 ITMS LIMITED

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FOR THE YEAR ENDED 31 MARCH 2017**

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365 ITMS LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2017

DIRECTORS: A A Breare
S Coiley
A R C Ross
J G P Phipps

SECRETARY: J G P Phipps

REGISTERED OFFICE: Napoleon House
Riseley Business Park
Reading
Berkshire
RG7 1NW

REGISTERED NUMBER: 07709017 (England and Wales)

AUDITORS: RSM UK Audit LLP
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

365 ITMS LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The directors present their strategic report of the company and the group for the year ended 31 March 2017.

Principal Activity

The principal activity of the group in the year under review was that of the provision of a range of managed IT solutions to mid-market companies in the UK based around four integrated technology pillars - Networking, Data Centres, Collaboration and Security.

The group provides a comprehensive portfolio of design, consultancy and deployment services and a range of support options from 24x7 telephone support through to fully managed services. The deployment options include on-premise, hybrid and cloud based solutions using the company's private virtual cloud - Cloud365IT.

The principal activity, as outlined above, is marketed by the company through two trading division:

5i provides services to the reseller channel

365ITMS provides services direct to UK mid-market customers.

Business review

On 4th April 2016, 365 ITMS Limited acquired Deverill Group Limited and its subsidiary Deverill Limited, a 59 employee strong Poole based business providing IT support, services and training to mid-market businesses and public sector organisations. The combined organisation now holds some of the highest level vendor accreditations including: VMWare, HP, Cisco, Microsoft, Dell, Citrix and a range of other leading manufacturers.

On 1st August 2016, the employment of the entire staff of Deverill Limited was transferred (TUPE) to 365 ITMS Limited and on 1st October 2016, the contracts of all Deverill customers were novated to 365 ITMS Limited. The business has been restructured and rationalised and considerable time has been invested in integrating the businesses including the implementation of new service desk software, a new contracts database, a new CRM system and finance system.

For the year to 31 March 2017, the group reported revenues of £15,552,890 (2016: £10,558,422) a gross profit of £7,582,613 (2016: £5,218,705) and an EBITDA of £425,677 (2016: £810,522). The EBITDA was after incurring redundancy costs relating to the acquisition of £54,691. While the directors were pleased with the level of customer retention during the contract novation, and the gross profits achieved, there will be a further review of administrative costs to improve the EBITDA. The group reported an overall loss for the year before tax of £170,340 (2016: profit £456,041). This is due to the reduction in EBITDA and also an increase in amortisation from £190,093 to £339,263.

Financial Key Performance Indicators

The board regularly report and monitor our performance using a series of financial key performance indicators. We believe that tracking these indicators is essential to our success.

Absolute level of sales

We monitor our sales and its breakdown into three business areas of product, implementation services and long term annuity contracts. We monitor these in terms of absolute sales and also look at the relative proportions of the three types of business as a percentage of the total revenue.

	2017		2016	
	£	%	£	%
Product	6,396,908	41.1	4,302,535	40.8
Implementation Services	2,352,778	15.1	1,469,770	13.9
Long Term Annuity Contracts	6,803,204	43.8	4,786,117	45.3
Total Revenue	15,552,890		10,558,442	

365 ITMS LIMITED
GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The group has continued with its strategy of focussing on growing annuity revenue and margins. The relative proportions of revenue in Deverill Limited were similar to 365 ITMS and therefore the acquisition of this business has not resulted in any significant change to the proportion percentages.

Gross Margin

For each business area, its percentage of overall sales value is another primary indicator. We also measure each new deal against our average gross margin on current business.

The total average gross margin for the year ended 31 March 2017 was 48.8% compared to 49.4% in 2016.

Cash

The group operates close control of its cash through effective credit control, close review of costs and regular cash forecasting.

The cash at bank at 31 March 2017 was £1,004,098 compared to £657,208 at 31 March 2016.

Outlook

We will continue to focus on customer retention and on the growth of our long term annuity contract base.

This will be achieved through continual improvement in the quality, value and breadth of service that we provide and by maintaining a thorough understanding of the needs of our customers.

Principal risks and uncertainties

Economic

The principal risks associated with the business are the standard commercial risks associated with the industry and economic climate in which we operate. These are the risk of not generating sufficient sales at a sufficient price and the risk of costs rising to a level where they exceed revenues. The risk is managed by preparing detailed budget documents and comparing actual performance to budgeted throughout the year. Where any unanticipated variances arise, the management are well positioned to take early action.

Operational

This is the risk of failing to deliver the promised service to our customers. This is addressed in a number of ways:

- through the performance of regular project review meetings both where project progress is measured and any problems identified
- through the collection of response statistics from our service desk. These would include KPIs such as response times and adherence to customer service level agreements
- through customer service meetings

Financial

There is the risk of inadequate cash to meet operating and debt service agreements. This is managed by the preparation and close monitoring of cash flow forecasts, together with proactive credit control.

ON BEHALF OF THE BOARD:



.....
S Coiley - Director

Date: 9th March 2018

365 ITMS LIMITED

REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 MARCH 2017

The directors present their report with the financial statements of the company and the group for the year ended 31 March 2017.

DIVIDENDS

No dividends will be distributed for the year ended 31 March 2017 (2016: £364,657)

FUTURE DEVELOPMENTS

On 5th April 2017, the group was acquired by IDE Group Limited for an enterprise value of £5.4m. The acquisition complemented and expanded the group's products and services portfolio (voice, unified communications and cloud offerings in particular) and provided cross and upsell opportunities.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 April 2016 to the date of this report.

A A Breare
S Coiley

Other changes in directors holding office are as follows:

J Szpiro - resigned 21 December 2016
G J Bird - appointed 21 December 2016

A R C Ross and J G P Phipps were appointed after the year end on 5 April 2017.

P MacLean , D S Ellis , P J Hooft and G J Bird resigned, on 5 April 2017 after the year end.

FINANCIAL RISK MANAGEMENT

The management of the business and the company's strategy are subject to key business risks which are considered to be continued competition in the market place, changing procurement models and retention of employees.

The exposure of the group to financial risks is as follows:

Foreign currency risk
Low exposure and few overseas transactions.

Credit risk
The risk of customer or bank default is mitigated by strong credit control procedures and by using banks with high credit ratings.

Liquidity risk
The company manages its exposure to the risk of resources failing to meet obligations by use of an invoice discounting facility which provides working capital.

RESULTS

The results for the year are set out on page 8.

365 ITMS LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2017**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Group Strategic Report and the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:


- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and the company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the group's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the group's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
S Coiley - Director

Date: 9th March 2018

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
365 ITMS LIMITED**

Opinion

We have audited the group and parent company financial statements (the "financial statements") on pages 8 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company affairs as at 31 March 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Group Strategic Report and the Report of the Directors for the financial year for which the financial statement are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Group Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group Strategic Report or the Report of the Directors.

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Respective responsibilities of directors and auditors

As more fully explained in the Directors' Responsibilities Statement set out on page 5 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 (APB's) Ethical Standards for Auditors.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
365 ITMS LIMITED**

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 auditors' 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.

RSM UK Audit LLP

Perry Linton FCA (Senior Statutory Auditor)
for and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Davidson House
Forbury Square
Reading
Berkshire
RG1 3EU

Date: *13 March 2018*

365 ITMS LIMITED

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 MARCH 2017**

	Notes	2017 £	2016 £
REVENUE	3	15,552,890	10,558,422
Cost of sales		<u>(7,970,277)</u>	<u>(5,339,717)</u>
GROSS PROFIT		7,582,613	5,218,705
Administrative expenses		(7,685,254)	(4,753,240)
EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION		425,677	810,522
Depreciation of fixed assets		(189,055)	(154,964)
Amortisation of goodwill		(339,263)	(190,093)
OPERATING (LOSS)/PROFIT	5	(102,641)	465,465
Interest receivable and similar income		<u>-</u>	<u>219</u>
		(102,641)	465,684
Interest payable and similar expenses	6	<u>(67,699)</u>	<u>(9,643)</u>
(LOSS)/PROFIT BEFORE TAXATION		(170,340)	456,041
Tax on (loss)/profit	7	<u>598</u>	<u>(91,258)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		<u>(169,742)</u>	<u>364,783</u>

The notes form part of these financial statements

365 ITMS LIMITED

**CONSOLIDATED OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017**

	2017	2016
	£	£
(LOSS)/PROFIT FOR THE YEAR	(169,742)	364,783
OTHER COMPREHENSIVE INCOME	_____ -	_____ -
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>(169,742)</u>	<u>364,783</u>
Total comprehensive income attributable to: Owners of the parent	<u>(169,742)</u>	<u>364,783</u>

The notes form part of these financial statements

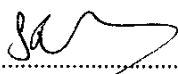
365 ITMS LIMITED (REGISTERED NUMBER: 07709017)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 MARCH 2017**

	Notes	2017	2016
		£	£
FIXED ASSETS			
Intangible assets	9	4,766,809	3,038,451
Tangible assets	10	321,009	242,145
Investments	11	<u>-</u>	<u>-</u>
		5,087,818	3,280,596
CURRENT ASSETS			
Stocks	12	23,040	5,850
Debtors	13	4,915,215	3,713,958
Cash at bank		<u>1,004,098</u>	<u>657,208</u>
		5,942,353	4,377,016
CREDITORS			
Amounts falling due within one year	14	<u>(4,707,123)</u>	<u>(1,911,023)</u>
NET CURRENT ASSETS		<u>1,235,230</u>	<u>2,465,993</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,323,048	5,746,589
CREDITORS			
Amounts falling due after more than one year	15	(24,313)	(56,579)
ACCRUALS AND DEFERRED INCOME	19	<u>(3,086,872)</u>	<u>(2,308,405)</u>
NET ASSETS		<u>3,211,863</u>	<u>3,381,605</u>
CAPITAL AND RESERVES			
Called up share capital	20	2,918,359	2,918,359
Share premium	21	24,563	24,563
Capital redemption reserve	21	10,000	10,000
Retained earnings	21	<u>258,941</u>	<u>428,683</u>
SHAREHOLDERS' FUNDS		<u>3,211,863</u>	<u>3,381,605</u>

The financial statements were approved by the Board of Directors on its behalf by:

9th March 2018 and were signed on


.....
S Coiley - Director

The notes form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
31 MARCH 2017


	Notes	2017 £	2016 £
FIXED ASSETS			
Intangible assets	9	4,862,193	3,038,451
Tangible assets	10	265,522	242,145
Investments	11	<u>925,633</u>	<u>-</u>
		6,053,348	3,280,596
CURRENT ASSETS			
Stocks	12	15,831	5,850
Debtors	13	4,992,692	3,713,958
Cash at bank		<u>909,995</u>	<u>657,208</u>
		5,918,518	4,377,016
CREDITORS			
Amounts falling due within one year	14	<u>(5,978,496)</u>	<u>(1,911,023)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(59,978)</u>	<u>2,465,993</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,993,370	5,746,589
CREDITORS			
Amounts falling due after more than one year	15	(24,313)	(56,579)
ACCRUALS AND DEFERRED INCOME	19	<u>(3,086,872)</u>	<u>(2,308,405)</u>
NET ASSETS		<u>2,882,185</u>	<u>3,381,605</u>
CAPITAL AND RESERVES			
Called up share capital	20	2,918,359	2,918,359
Share premium	21	24,563	24,563
Capital redemption reserve	21	10,000	10,000
Retained earnings	21	<u>(70,737)</u>	<u>428,683</u>
SHAREHOLDERS' FUNDS		<u>2,882,185</u>	<u>3,381,605</u>

As permitted by Section 408 of the Companies Act 2006, the company has not presented its own Income Statement and related notes as it prepares group accounts.

Company's (loss)/profit for the financial year	<u>(499,420)</u>	<u>364,783</u>
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The financial statements on pages 8 to 29 were approved by the Board of Directors on
and were signed on its behalf by:

9th March 2018


.....
S Coiley - Director

The notes form part of these financial statements

365 ITMS LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 April 2015	2,918,359	428,557	24,563	10,000	3,381,479
Changes in equity					
Dividends	-	(364,657)	-	-	(364,657)
Total comprehensive income	-	364,783	-	-	364,783
Balance at 31 March 2016	<u>2,918,359</u>	<u>428,683</u>	<u>24,563</u>	<u>10,000</u>	<u>3,381,605</u>
Changes in equity					
Total comprehensive income	-	(169,742)	-	-	(169,742)
Balance at 31 March 2017	<u>2,918,359</u>	<u>258,941</u>	<u>24,563</u>	<u>10,000</u>	<u>3,211,863</u>

The notes form part of these financial statements

365 ITMS LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017**

	Called up share capital £	Retained earnings £	Share premium £	Capital redemption reserve £	Total equity £
Balance at 1 April 2015	2,918,359	428,557	24,563	10,000	3,381,479
Changes in equity					
Dividends	-	(364,657)	-	-	(364,657)
Total comprehensive income	-	364,783	-	-	364,783
Balance at 31 March 2016	<u>2,918,359</u>	<u>428,683</u>	<u>24,563</u>	<u>10,000</u>	<u>3,381,605</u>
Changes in equity					
Total comprehensive income	-	(499,420)	-	-	(499,420)
Balance at 31 March 2017	<u>2,918,359</u>	<u>(70,737)</u>	<u>24,563</u>	<u>10,000</u>	<u>2,882,185</u>

The notes form part of these financial statements

365 ITMS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Cash flows from operating activities			
Cash generated from operations	1	1,348,467	510,652
Interest paid		(65,610)	-
Interest element of finance lease payments paid		(2,089)	(9,643)
Tax paid		<u>(114,015)</u>	<u>(142,938)</u>
Net cash from operating activities		<u>1,166,753</u>	<u>358,071</u>
Cash flows from investing activities			
Acquisition of subsidiary	11	(2,939,467)	-
Purchase of tangible fixed assets		(164,094)	(120,425)
Sale of tangible fixed assets		-	12,400
Interest received		<u>-</u>	<u>219</u>
Net cash from investing activities		<u>(3,103,561)</u>	<u>(107,806)</u>
Cash flows from financing activities			
New loans in year		2,000,000	-
Loan repayments in year		(500,000)	(19,600)
New finance leases		16,739	-
New finance leases from acquisition		8,183	-
Capital repayments in year		(50,318)	(87,625)
Cash introduced from acquisition		809,094	-
Equity dividends paid		<u>-</u>	<u>(364,657)</u>
Net cash from financing activities		<u>2,283,698</u>	<u>(471,882)</u>
Increase/(decrease) in cash and cash equivalents		346,890	(221,617)
Cash and cash equivalents at beginning of year	2	657,208	878,825
Cash and cash equivalents at end of year	2	<u>1,004,098</u>	<u>657,208</u>

The notes form part of these financial statements

365 ITMS LIMITED

**NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017**

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2017	2016
	£	£
(Loss)/profit before taxation	(170,340)	456,042
Depreciation charges	528,318	345,055
Profit on disposal of fixed assets	-	(12,400)
Finance costs	67,699	9,643
Finance income	-	(219)
	<u>425,677</u>	<u>798,121</u>
(Increase)/decrease in stocks	(17,190)	978
(Increase)/decrease in trade and other debtors	(1,127,717)	34,240
Increase/(decrease) in trade and other creditors	<u>2,067,697</u>	<u>(322,687)</u>
Cash generated from operations	<u>1,348,467</u>	<u>510,652</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Statement of Cash Flows in respect of cash and cash equivalents are in respect of these Statement of Financial Position amounts:

Year ended 31 March 2017

	31.3.17	1.4.16
	£	£
Cash and cash equivalents	<u>1,004,098</u>	<u>657,208</u>

Year ended 31 March 2016

	31.3.16	1.4.15
	£	£
Cash and cash equivalents	<u>657,208</u>	<u>878,825</u>

The notes form part of these financial statements

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. COMPANY INFORMATION

365 ITMS Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK. The registered office is Napoleon House, Riseley Business Park, Reading, Berkshire, RG7 1NW.

The group consists of 365 ITMS Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the directors report.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows'- Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

These disclosure exemptions apply to the company as a single entity and have not been taken in respect of disclosures given for the group.

The presentation currency of these financial statements is sterling. Monetary amounts in these financial statements are rounded to the nearest £.

Company statement of comprehensive income

As permitted by s408 Companies Act 2006, the Company has not presented its own statement of comprehensive income as it prepares group accounts and the company's individual statement of financial position shows the company's profit or loss for the financial year.

Basis of consolidation

The consolidated financial statements incorporate those of 356 ITMS Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits).

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

The cost of a business combination is the fair value at the acquisition date, of the assets given, equity instruments issued and liabilities incurred or assumed, plus directly attributable costs.

The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES - continued

Going Concern

The group has incurred a loss after taxation of £169,742 for the year (2016 - profit of £364,783). In addition the company has incurred a loss after taxation for the year of £499,420 (2016 - profit of £364,783) and has net current liabilities of £59,978 as at 31 March 2017 (2016 - net current assets of £2,465,993).

The financial statements have been prepared on a going concern basis. The group business activities, together with the factors likely to affect its future financial position are set out in the review of the business and under financial risk management in the Directors' Report and Strategic Report. The group has a high proportion of recurring contracts providing secure revenue, access to continued borrowing facilities and substantial capital which leads the directors to believe that the group is well placed to manage its business risks successfully despite the current general economic uncertainty. The directors therefore believe that the group has sufficient resources to continue to operate for the foreseeable future and thus have adopted the going concern basis of accounting when preparing the annual financial statements.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Income is recognised when the right to consideration has been established.

Where a service is delivered over a period of time, the stage of completion is estimated by comparing costs incurred as a proportion of total costs. Where the outcome cannot be estimated reliably, turnover is recognised only to the extent of the expenses recognised that are recoverable.

Intangible assets

Amortisation is charged so as to allocate the cost of intangibles less their residual values over their estimated useful lives, using the straight-line method. The intangible assets are amortised over the following useful economic lives:

Goodwill - over 20 years

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the company.

On acquisition, fair values are attributed to the identifiable assets and liabilities unless the fair value cannot be measured reliably, in which case the value is incorporated in goodwill.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- over remaining term of lease
Fixtures and fittings	- Straight line over 5 years
Computer equipment	- Straight line over 3 years

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Stocks

Stocks are valued at the lower of cost, using the first in first out method, and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Consolidated Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term. Lease incentives are recognised over the lease term on a straight line basis.

Retirement benefits

The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to profit or loss in the period to which they relate.

Financial instruments

Financial instruments are classified as accounted for according to the substance of the contractual arrangements as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the net assets of the company.

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

2. ACCOUNTING POLICIES - continued

Significant accounting judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following three judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Operating lease commitments

The group has entered into commercial property leases as a lessor on its investment property portfolio and as a lessee it obtains use of property, plant and equipment. The classification of such leases as operating or finance lease requires the group to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the statement of financial position.

Goodwill and intangible assets

The group establishes a reliable estimate of the useful life of goodwill and intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected usual life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

Share Capital

The group has share capital that has entitlement to a priority dividend and holds no voting rights. The classification of such share capital as equity or debt requires the group to determine, based on evaluation of the substance of the terms and the conditions of the shares, whether it retains discretion over dividend payments and redemption of shares and accordingly whether the shares are required to be recognised as a liability or equity.

3. TURNOVER

The turnover and loss (2016 - profit) before taxation are attributable to the one principal activity of the group.

An analysis of turnover by geographical market is given below:

	2017 £	2016 £
United Kingdom	15,133,359	10,283,063
Europe	303,546	113,064
Worldwide	<u>115,985</u>	<u>162,295</u>
	<u>15,552,890</u>	<u>10,558,422</u>

4. EMPLOYEES AND DIRECTORS

	2017 £	2016 £
Wages and salaries	5,253,634	3,249,839
Social security costs	568,793	357,804
Other pension costs	<u>171,104</u>	<u>85,067</u>
	<u>5,993,531</u>	<u>3,692,710</u>

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

4. EMPLOYEES AND DIRECTORS - continued

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

	2017	2016
Directors	3	3
Other Staff	<u>101</u>	<u>51</u>
	<u>104</u>	<u>54</u>

The average number of employees by undertakings that were proportionately consolidated during the year was 57.

The group operates a stakeholder defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by an independent pension provider. Pension payments recognised as an expense during the year amount to £171,104 (2016: £85,067). At the balance sheet date the pension creditor was £19,829 (2016: £23,817).

	2017 £	2016 £
Directors' remuneration	381,500	363,622
Directors' pension contributions to money purchase schemes	<u>16,950</u>	<u>13,535</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>3</u>	<u>3</u>
------------------------	----------	----------

Information regarding the highest paid director is as follows:

	2017 £	2016 £
Emoluments etc	155,300	152,250
Pension contributions to money purchase schemes	<u>7,781</u>	<u>5,075</u>

5. OPERATING (LOSS)/PROFIT

The operating loss (2016 - operating profit) is stated after charging/(crediting):

	2017 £	2016 £
Hire of plant and machinery	6,852	5,680
Depreciation - owned assets	189,055	154,963
Profit on disposal of fixed assets	-	(12,400)
Goodwill amortisation	339,263	190,093
Auditors' remuneration	20,861	16,000
Foreign exchange differences	<u>2,615</u>	<u>2,222</u>

6. INTEREST PAYABLE AND SIMILAR EXPENSES

	2017 £	2016 £
Bank interest	65,610	-
Finance leasing	<u>2,089</u>	<u>9,643</u>
	<u>67,699</u>	<u>9,643</u>

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

7. TAXATION

Analysis of the tax (credit)/charge

The tax (credit)/charge on the loss for the year was as follows:

	2017 £	2016 £
Current tax:		
UK corporation tax	<u>(598)</u>	<u>91,258</u>
Tax on (loss)/profit	<u>(598)</u>	<u>91,258</u>

UK corporation tax has been charged at 20%.

Reductions in the UK corporation tax rate from 21% (effective from 1 April 2014) to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2017 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

Factors affecting the tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (20%). The differences are explained below:

	2017 £	2016 £
Group (loss) / profit before tax	<u>(170,340)</u>	<u>456,041</u>
Group profit multiplied by the standard rate of tax in the UK (20%)	(34,068)	91,208
Effects of:		
Expenses that are not deductible in determining taxable profit	<u>33,470</u>	<u>50</u>
Tax expense	<u>(598)</u>	<u>91,258</u>

Factors that may affect future tax charges:

The group has a potential deferred tax asset of £55,461 (2016: £89,194) in respect of its trading losses and a deferred tax asset of £5,676 (2016: £7,062) in respect of capital allowances giving a net deferred tax asset of £49,785 (2016: £96,256). This amount has not been recognised as there is insufficient evidence that the group will generate sufficient taxable profits in the foreseeable future. This does not affect the going concern of the group.

8. DIVIDENDS

	2017 £	2016 £
A Ordinary Shares shares of £1 each		
Interim	<u>-</u>	<u>364,657</u>

365 ITMS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017**

9. INTANGIBLE FIXED ASSETS

Group

	Goodwill £
COST	
At 1 April 2016	3,898,065
Additions	<u>2,067,621</u>
At 31 March 2017	<u>5,965,686</u>
AMORTISATION	
At 1 April 2016	859,614
Amortisation for year	<u>339,263</u>
At 31 March 2017	<u>1,198,877</u>
NET BOOK VALUE	
At 31 March 2017	<u>4,766,809</u>
At 31 March 2016	<u>3,038,451</u>

Company

	Goodwill £
COST	
At 1 April 2016	3,898,065
Transfer from investments	<u>2,013,834</u>
At 31 March 2017	<u>5,911,899</u>
AMORTISATION	
At 1 April 2016	859,614
Amortisation for year	<u>190,092</u>
At 31 March 2017	<u>1,049,706</u>
NET BOOK VALUE	
At 31 March 2017	<u>4,862,193</u>
At 31 March 2016	<u>3,038,451</u>

Amortisation of intangible fixed assets is included in administrative expenses.

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017

10. TANGIBLE FIXED ASSETS

Group	Improvements to property £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST					
At 1 April 2016	145,408	77,274	-	921,645	1,144,327
Additions	11,136	29,564	-	123,394	164,094
Acquired on acquisition	-	64,594	26,403	366,498	457,495
At 31 March 2017	156,544	171,432	26,403	1,411,537	1,765,916
DEPRECIATION					
At 1 April 2016	128,820	69,012	-	704,350	902,182
Charge for year	15,766	18,452	8,801	146,036	189,055
Acquired on acquisition	-	37,624	14,668	301,378	355,670
At 31 March 2017	144,586	125,088	23,469	1,151,764	1,444,907
NET BOOK VALUE					
At 31 March 2017	11,958	46,344	2,934	259,773	321,009
At 31 March 2016	16,588	8,262	-	217,295	242,145

Included within fixed assets are assets acquired under a finance lease, with a net book value of £75,251 (2016: £94,700).

The total carrying amount of tangible fixed assets is pledged as security for the company's bank loans and overdrafts.

Company	Improvements to property £	Fixtures and fittings £	Computer equipment £	Totals £
COST				
At 1 April 2016	145,408	77,274	921,645	1,144,327
Additions	11,136	28,669	122,424	162,229
At 31 March 2017	156,544	105,943	1,044,069	1,306,556
DEPRECIATION				
At 1 April 2016	128,820	69,012	704,350	902,182
Charge for year	15,766	9,359	113,727	138,852
At 31 March 2017	144,586	78,371	818,077	1,041,034
NET BOOK VALUE				
At 31 March 2017	11,958	27,572	225,992	265,522
At 31 March 2016	16,588	8,262	217,295	242,145

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

10. TANGIBLE FIXED ASSETS - continued

Company

Included within fixed assets are assets acquired under a finance lease, with a net book value of £72,317 (2016: £94,700).

The total carrying amount of tangible fixed assets is pledged as security for the company's bank loans and overdrafts.

11. FIXED ASSET INVESTMENTS

Company

	Unlisted investments £
COST	
Additions	2,939,467
Transfer to goodwill	(2,013,834)
At 31 March 2017	<u>925,633</u>
NET BOOK VALUE	
At 31 March 2017	<u>925,633</u>

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiaries

Deverill Group Limited

Registered office: Napoleon House Riseley Business Park, Riseley, Reading, RG7 1NW, United Kingdom

Nature of business: IT support, services and training

Class of shares:	%
Ordinary	holding
	100.00
	2017
	£
Aggregate capital and reserves	<u>651,064</u>

Deverill Limited

Registered office: Napoleon House Riseley Business Park, Riseley, Reading, RG7 1NW, United Kingdom

Nature of business: IT support services and training

Class of shares:	%
Ordinary	holding
	100.00
	2017
	£
Aggregate capital and reserves	<u>1,312,220</u>

On 4 April 2016, the company acquired the entire issued share capital of Deverill Group Limited and its subsidiary Deverill Limited, a United Kingdom based provider of information technology services solutions and training. The cost of the acquisition comprised cash consideration of £2,760,000.

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

11. FIXED ASSET INVESTMENTS - continued

Consolidated turnover and consolidated profit after tax comprise turnover of £3,345,222 and profit after tax of £483,962 contributed by Deverill Group Limited and its 100% subsidiary Deverill Limited between the date of its acquisition and the 31 March 2017.

The goodwill arising on acquisition of £2,067,621 is considered to have a useful life of 20 years.

Deverill Group Limited and its 100% subsidiary Deverill Limited has been accounted for using the acquisition method of accounting. At 4 April 2016 (the 'acquisition date'), the assets and liabilities of Deverill Group Limited and its 100% subsidiary Deverill Limited were consolidated at their fair values to the Group, as set out below:

	Book Value £	Fair Value £
Intangible Assets	18,368	18,367
Tangible Assets	85,458	85,458
Stock	20,091	20,091
Debtors	3,568,506	3,568,506
Cash at Bank	809,094	809,094
Trade Creditors	(1,756,321)	(1,756,321)
Other Creditors	(1,897,199)	(1,897,199)
		873,996
Goodwill		2,067,621
Total Consideration		2,941,617
Satisfied by:		2,760,000
Cash		181,617
Acquisition costs		2,941,617

On the 1 October 2016, the trade and assets of Deverill Limited were transferred to 365 iTMS Limited at book value, as detailed in the table on page 24.

The subsidiary companies Deverill Group Limited and Deverill Limited have taken the exemption in Section 479A of the Companies Act 2006 (the Act) from the requirements of the Act for their individual accounts to be audited. The guarantee given by the Company under section 479A of the Act is disclosed in note

12. STOCKS

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Stocks	<u>23,040</u>	<u>5,850</u>	<u>15,831</u>	<u>5,850</u>

Stock recognised in cost of sales during the year as an expense was £5,328,545 (2016: £3,336,680).

The total carrying amount of stock is pledged as security for the company's bank loans and overdrafts.

365 ITMS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017**

13. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Trade debtors	3,108,963	1,774,198	3,108,013	1,774,198
Other debtors	500	400	500	400
Tax	82,637	9,097	161,064	9,097
Prepayments and accrued income	341,851	424,366	341,851	424,366
Prepayments	193,543	298,527	193,543	298,527
Deferred costs	<u>1,187,721</u>	<u>1,207,370</u>	<u>1,187,721</u>	<u>1,207,370</u>
	<u>4,915,215</u>	<u>3,713,958</u>	<u>4,992,692</u>	<u>3,713,958</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Bank loans and overdrafts (see note 16)	1,500,000	-	1,500,000	-
Finance leases (see note 17)	39,287	32,417	36,450	32,417
Trade creditors	1,505,370	1,149,893	1,505,369	1,149,893
Social security and other taxes	155,521	100,595	155,521	100,595
VAT	463,216	190,486	463,216	190,486
Other creditors	19,828	23,217	1,294,039	23,217
Accrued expenses	<u>1,023,901</u>	<u>414,415</u>	<u>1,023,901</u>	<u>414,415</u>
	<u>4,707,123</u>	<u>1,911,023</u>	<u>5,978,496</u>	<u>1,911,023</u>

Included within other creditors is an amount of £19,829 (2016: £23,817) relating to pension provision, paid after the year end.

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

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Finance leases (see note 17)	<u>24,313</u>	<u>56,579</u>	<u>24,313</u>	<u>56,579</u>

16. LOANS

An analysis of the maturity of loans is given below:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Amounts falling due within one year or on demand:				
Bank loans	<u>1,500,000</u>	<u>-</u>	<u>1,500,000</u>	<u>-</u>

Bank loans and overdrafts are secured by a fixed and floating charge over the undertaking and all property and assets present and future, including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

365 ITMS LIMITED

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2017**

17. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

Group

	Finance leases	
	2017	2016
	£	£
Net obligations repayable:		
Within one year	39,287	32,417
Between one and five years	24,313	56,579
	63,600	88,996

Company

	Finance leases	
	2017	2016
	£	£
Net obligations repayable:		
Within one year	36,450	32,417
Between one and five years	24,313	56,579
	60,763	88,996

Operating Leases

	Group	Company
	£	£
Land and Buildings Within one year	178,437	105,937
Between one and five years	535,311	317,811

18. FINANCIAL INSTRUMENTS

The carrying amount of the Group's financial instruments at 31 March were:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Financial assets:				
Debt instruments measured at amortised cost	3,451,314	2,198,964	3,450,364	2,198,964
Equity instruments measured at cost less impairment	-	-	925,633	-
Total	3,451,314	2,198,964	4,375,997	2,198,964

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Financial liabilities:				
Measured at amortised cost	4,112,698	1,676,520	5,384,092	1,676,520
Total	4,112,698	1,676,520	5,384,092	1,676,520

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

19. ACCRUALS AND DEFERRED INCOME

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Deferred income	<u>3,086,872</u>	<u>2,308,405</u>	<u>3,086,872</u>	<u>2,308,405</u>

Deferred income represents the unexpired amount invoiced to customers in respect of support contracts. The amount falling due in less than one year was £2,725,200 (2016: £2,044,369).

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2017	2016
Number:	Class:		£	£
511,937	Ordinary	£1	<u>511,937</u>	511,937
2,406,422	A Ordinary Shares	£1	<u>2,406,422</u>	<u>2,406,422</u>
			<u>2,918,359</u>	<u>2,918,359</u>

Ordinary shares have full voting rights, right to receive dividends (following payment of the priority dividend to the A Ordinary shares) and rights to participate in the surplus assets of the company following a winding up once the preferred sum has been paid to the holders of the A Ordinary shares.

The A Ordinary shares have entitlement to a priority dividend of 8% of the subscription price to be payable annually. Any dividend not so declared shall attract interest at the rate of 15%. On a return of assets or a liquidation the A Ordinary shares have preference up to the nominal value of the A Ordinary shares in issue together with any arrears and accrual of dividend referred to above. The A Ordinary shares are redeemable at the option of the company. The A Ordinary shares do not carry any right to vote.

However, the holders of the A Ordinary shares have confirmed that at the time the A Ordinary shares were issued it was the intention of both the company and holders of the A Ordinary shares that the priority dividend would only be payable if the directors of the company declared a dividend and the A Ordinary shares would not attract any interest should no dividend be declared. The directors therefore retain discretion concerning the payment of dividends, and the redemption of the A Ordinary shares. For this reason the substance of the terms and conditions of the A Ordinary shares is that they are equity, and not debt, and are therefore presented within equity in the financial statements.

21. RESERVES

Group

	Retained earnings	Share premium	Capital redemption reserve	Totals
	£	£	£	£
At 1 April 2016	428,684	24,563	10,000	463,247
Deficit for the year	<u>(169,742)</u>	<u>-</u>	<u>-</u>	<u>(169,742)</u>
At 31 March 2017	<u>258,942</u>	<u>24,563</u>	<u>10,000</u>	<u>293,505</u>

365 ITMS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 MARCH 2017

21. RESERVES - continued

Company

	Retained earnings £	Share premium £	Capital redemption reserve £	Totals £
At 1 April 2016	428,683	24,563	10,000	463,246
Deficit for the year	(499,420)	-	-	(499,420)
At 31 March 2017	<u>(70,737)</u>	<u>24,563</u>	<u>10,000</u>	<u>(36,174)</u>

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

Retained earnings

This reserve records all current and prior period retained profits and losses.

22. FINANCIAL COMMITMENTS AND GUARANTEES

In order for subsidiary companies Deverill Group Limited and Deverill Limited to take the audit exemption in Section 479A of the Companies Act 2006, the Company has guaranteed all outstanding liabilities of those subsidiary companies at 31 March 2017 until those liabilities are satisfied in full.

23. RELATED PARTY DISCLOSURES

Entities with common directorship

	2017 £	2016 £
Fees for services provided by LMS Capital Plc	22,500	30,000
Amount due to LMS Capital Plc at the balance sheet date	-	9,000
Fees for services provided by Gresham House Ltd	7,500	-
Amount due to Gresham Partners at the balance sheet date	9,000	-
Fees for services provided by Cadence Partners	6,000	-
Amount due to Cadence Partners at the Balance sheet date	<u>6,000</u>	<u>-</u>

Key management personnel

Key management personnel compensation	<u>500,288</u>	<u>484,601</u>
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24. POST BALANCE SHEET EVENTS

On 5 April 2017, the group was acquired by IDE Group Limited for an enterprise value of £5.4m.

25. ULTIMATE CONTROLLING PARTY

At the 31 March 2017 the parent entity and ultimate controlling party was LMS Capital Plc, a company listed on the London Stock Exchange.

At the date of signing this report, the ultimate controlling party is IDE Group Holdings plc, a company listed on the Alternative Investment Market (AIM).

365 ITMS LIMITED

CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017

	2017		2016	
	£	£	£	£
Sales		15,552,890		10,558,422
Cost of sales				
Purchases		<u>7,970,277</u>		<u>5,339,717</u>
GROSS PROFIT		7,582,613		5,218,705
Other income				
Deposit account interest		<u>-</u>		<u>219</u>
		7,582,613		5,218,924
Expenditure				
Rent and service charge	211,878		102,547	
Rates and water	60,548		35,838	
Insurance	47,194		26,863	
Light and heat	37,368		22,708	
Directors' salaries	381,500		363,622	
Directors' social security	57,300		54,693	
Directors' pension contributions	16,950		13,535	
Wages	4,872,134		2,886,217	
Social security	511,493		303,111	
Pensions	154,154		71,532	
Equipment hire costs	6,852		5,680	
Telephone and internet	83,466		62,123	
Post and stationery	9,332		4,504	
Advertising and marketing	69,527		36,883	
Travelling expenses	104,830		58,746	
Motor running expenses	120,756		39,319	
Staff welfare, training and retirement costs	107,589		113,040	
Health insurance	-		14,608	
Computer running costs	81,832		43,342	
Repairs and renewals	15,262		19,302	
Cleaning	15,350		11,839	
Sundry expenses	15,806		780	
Accountancy	11,098		10,213	
Subscriptions	-		14,866	
Legal and professional fees	69,620		43,650	
Auditors' remuneration	20,861		16,000	
Donations	(141)		(76)	
Foreign exchange losses	2,615		2,222	
Entertainment	33,182		24,094	
Bad debts	2,490		126	
Dilapidation provision	<u>12,000</u>		<u>-</u>	
		7,132,846		4,401,927
Carried forward		449,767		816,997

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365 ITMS LIMITED

**CONSOLIDATED TRADING AND PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2017**

	2017		2016	
	£	£	£	£
Brought forward		449,767		816,997
Finance costs				
Bank charges	24,090		18,655	
Bank interest	65,610		-	
Finance leasing	<u>2,089</u>		<u>9,643</u>	
		<u>91,789</u>		<u>28,298</u>
		357,978		788,699
Depreciation				
Goodwill	339,263		190,093	
Improvements to property	15,766		12,995	
Fixtures and fittings	18,452		3,395	
Motor vehicles	33,826		-	
Computer equipment	<u>121,011</u>		<u>138,574</u>	
		<u>528,318</u>		<u>345,057</u>
		(170,340)		443,642
Profit on disposal of fixed assets				
Computer equipment		<u>-</u>		<u>12,400</u>
NET (LOSS)/PROFIT		<u>(170,340)</u>		<u>456,042</u>

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