

Company Registration No. 02219814 (England and Wales)

ITEC CONNECT LTD

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 28 FEBRUARY 2014

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ITEC CONNECT LTD

COMPANY INFORMATION

Directors

P J Perkins
M D French
N L Orme
G J Tozer

Secretary

S J Bartlett

Company number

02219814

Registered office

ITEC House, Hawkfield Business Park
Hawkfield Way
Whitchurch
Bristol
BS14 0BY

Auditors

Berkeley Hamilton LLP
5 Pullman Court
Great Western Road
Gloucester
Gloucestershire
GL1 3ND

Business address

ITEC House, Hawkfield Business Park
Hawkfield Way
Whitchurch
Bristol
BS14 0BY

ITEC CONNECT LTD

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ITEC CONNECT LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2014

The directors present the strategic report and financial statements for the year ended 28 February 2014.

Review of the business

There has been significant new business wins in a variety of market sectors during the year which has delivered significant growth in the financial year 2013/14. Turnover increased from £10.6M in 2012/13 to £16.9M in 2013/14. Gross Profit margins also increased from 36% to 40% as a result of improved buying power with suppliers. Profit after Tax improved from £218K to £799K, making 2013/14 the most successful year in our history. Over the twelve month period, Cash at Bank has improved by over £470K and Net Assets by more than £670K.

Operationally and financially, Itec is well placed to take advantage of the modest recovery we are seeing in the UK market. We expect to make further strategic investments as we consolidate our market leading position in the South West. We also expect to continue see strong levels of growth for the 2014/15 financial year.

Principal Risks and Uncertainties

The principal risk to the business is the underlying economic climate in the UK, as this dictates customer appetite and ability to invest further into technology solutions. The strong relationships we have built over many years ensure we are able to continue to work with our customers to tailor solutions to their needs and financial resources irrespective of the macro economic conditions in the country.

We have some exposure to fluctuations in the Euro, as this can indirectly lead to changes in costs from our suppliers, but we do not consider this to be an area of concern currently. All of our invoicing is undertaken in sterling, therefore we are insulated from exchange rate risk within our revenue streams.

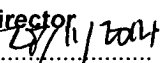
The directors are satisfied with the strategic performance of the company during the period and its position at the end of the year.

On behalf of the board



.....
G J Tozer

Director


.....

ITEC CONNECT LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 28 FEBRUARY 2014

The directors present their report and financial statements for the year ended 28 February 2014.

Principal activities

The principal activity of the company continued to be that of the selling and servicing of printers and photocopiers and the provision of related software and IT services.

Results and dividends

The results for the year are set out on page 6.

Directors

The following directors have held office since 1 March 2013:

P J Perkins
M D French
N L Orme
G J Tozer
J R Harding

(Resigned 4 April 2014)

Auditors

Berkeley Hamilton LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

Statement of directors' responsibilities

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

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 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;
- 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.

ITEC CONNECT LTD

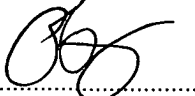
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2014

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, 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 auditors are aware of that information.

On behalf of the board



.....
G J Tozer

Director

28/11/2014
.....

ITEC CONNECT LTD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ITEC CONNECT LTD

We have audited the financial statements of ITEC Connect Ltd for the year ended 28 February 2014 set out on pages 6 to 20. 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).

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.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 - 3, 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 Annual 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 28 February 2014 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ITEC CONNECT LTD

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF ITEC CONNECT LTD

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.



Keith Felton (Senior Statutory Auditor)
for and on behalf of Berkeley Hamilton LLP

28/11/14
.....

Chartered Accountants
Statutory Auditor

5 Pullman Court
Great Western Road
Gloucester
Gloucestershire
GL1 3ND

ITEC CONNECT LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2014

| | Notes | 2014 £ | 2013 £ |
|--|-----------|------------------|------------------|
| Turnover | 2 | 16,986,008 | 10,692,981 |
| Cost of sales | | (10,149,084) | (6,837,580) |
| Gross profit | | 6,836,924 | 3,855,401 |
| Direct costs | | (3,940,221) | (2,351,802) |
| Administrative expenses | | (2,571,429) | (1,431,170) |
| Other operating income | | - | 288,001 |
| Operating profit | 3 | 325,274 | 360,430 |
| Investment income | 4 | 607,243 | - |
| Other interest receivable and similar income | 4 | 22 | 119 |
| Interest payable and similar charges | 5 | (148,203) | (97,802) |
| Profit on ordinary activities before taxation | | 784,336 | 262,747 |
| Tax on profit on ordinary activities | 6 | 14,763 | (43,968) |
| Profit for the year | 18 | 799,099 | 218,779 |

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

There are no recognised gains and losses other than those passing through the profit and loss account.

ITEC CONNECT LTD

BALANCE SHEET

AS AT 28 FEBRUARY 2014

| | Notes | 2014 £ | £ | 2013 £ | £ |
|--|-------|-------------|-----------|-------------|-------------|
| Fixed assets | | | | | |
| Intangible assets | 8 | 2,898,917 | | 1,135,665 | |
| Tangible assets | 9 | 525,697 | | 435,839 | |
| Investments | 10 | 42,600 | | 2,132,909 | |
| | | | 3,467,214 | | 3,704,413 |
| Current assets | | | | | |
| Stocks | 11 | 2,465,379 | | 1,618,520 | |
| Debtors | 12 | 3,983,852 | | 3,057,650 | |
| Cash at bank and in hand | | 472,040 | | 1,924 | |
| | | | 6,921,271 | | 4,678,094 |
| Creditors: amounts falling due within one year | 13 | (6,579,675) | | (4,855,656) | |
| Net current assets/(liabilities) | | | 341,596 | | (177,562) |
| Total assets less current liabilities | | | 3,808,810 | | 3,526,851 |
| Creditors: amounts falling due after more than one year | 14 | | (948,943) | | (1,368,009) |
| Provisions for liabilities | 15 | | (26,725) | | (4,799) |
| | | | 2,833,142 | | 2,154,043 |
| Capital and reserves | | | | | |
| Called up share capital | 17 | | 175 | | 175 |
| Share premium account | 18 | | 1,879,925 | | 1,879,925 |
| Profit and loss account | 18 | | 953,042 | | 273,943 |
| Shareholders' funds | 19 | | 2,833,142 | | 2,154,043 |

Approved by the Board and authorised for issue on 28/11/2014



 G J Tozer
 Director

Company Registration No. 02219814

ITEC CONNECT LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 2014

| | 2014 | 2013 |
|--|-----------|-----------|
| £ | £ | £ |
| Net cash inflow from operating activities | 1,111,462 | 492,238 |
| Returns on investments and servicing of finance | | |
| Interest received | 22 | 119 |
| Interest paid | (148,203) | (97,802) |
| Dividends received | 607,243 | - |
| Net cash inflow/(outflow) for returns on investments and servicing of finance | 459,062 | (97,683) |
| Taxation | 528 | 94 |
| Capital expenditure and financial investment | | |
| Payments to acquire tangible assets | (341,150) | (402,964) |
| Receipts from sales of tangible assets | 33,825 | 1,789 |
| Net cash inflow/(outflow) for capital expenditure | (307,325) | (401,175) |
| Acquisitions and disposals | | |
| Purchase of subsidiary undertakings (net of cash acquired) | (5,683) | (643,745) |
| Net cash outflow for acquisitions and disposals | (5,683) | (643,745) |
| Equity dividends paid | (120,000) | (110,000) |
| Net cash inflow/(outflow) before management of liquid resources and financing | 1,138,044 | (760,271) |
| Financing | | |
| Other new long term loans | 400,000 | 811,779 |
| Repayment of other long term loans | (802,930) | (13,013) |
| Repayment of other short term loans | (102,666) | (106,334) |
| Capital element of hire purchase contracts | (38,629) | (13,111) |
| Net cash (outflow)/inflow from financing | (544,225) | 679,321 |
| Increase/(decrease) in cash in the year | 593,819 | (80,950) |

ITEC CONNECT LTD

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 28 FEBRUARY 2014

| 1 Reconciliation of operating profit to net cash outflow from operating activities | 2014 | 2013 |
|--|------------------|----------------|
| | £ | £ |
| Operating profit | 325,274 | 360,430 |
| Depreciation of tangible assets | 212,071 | 144,427 |
| Amortisation of intangible assets | 332,740 | 132,720 |
| Loss/(profit) on disposal of tangible assets | 5,395 | (440) |
| (Increase)/decrease in stocks | (846,859) | 150,623 |
| Increase in debtors | (926,202) | (369,193) |
| Increase in creditors within one year | 2,009,043 | 73,671 |
| Net cash inflow from operating activities | 1,111,462 | 492,238 |

| 2 Analysis of net debt | 1 March 2013 | Cash flow | Other non-cash changes | 28 February 2014 |
|-----------------------------------|--------------------|------------------|------------------------|------------------|
| | £ | £ | £ | £ |
| Net cash: | | | | |
| Cash at bank and in hand | 1,924 | 470,116 | - | 472,040 |
| Bank overdrafts | (123,703) | 123,703 | - | - |
| | (121,779) | 593,819 | - | 472,040 |
| Bank deposits | - | - | - | - |
| Debt: | | | | |
| Finance leases | (64,237) | 61,090 | (22,460) | (25,607) |
| Debts falling due within one year | (102,666) | 102,666 | - | - |
| Debts falling due after one year | (1,339,562) | 402,930 | - | (936,632) |
| | (1,506,465) | 566,686 | (22,460) | (962,239) |
| Net debt | (1,628,244) | 1,160,505 | (22,460) | (490,199) |

| 3 Reconciliation of net cash flow to movement in net debt | 2014 | 2013 |
|--|------------------|--------------------|
| | £ | £ |
| Increase/(decrease) in cash in the year | 593,819 | (80,950) |
| Cash outflow/(inflow) from decrease/(increase) in debt and lease financing | 566,686 | (679,321) |
| Change in net debt resulting from cash flows | 1,160,505 | (760,271) |
| New finance lease | (22,460) | - |
| Movement in net debt in the year | 1,138,045 | (760,271) |
| Opening net debt | (1,628,244) | (867,973) |
| Closing net debt | (490,199) | (1,628,244) |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 28 FEBRUARY 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated).

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|--------------------------------|---|
| Rental equipment | Straight line on the length of the rental agreement |
| Improvements to property | Straight line over the lease term |
| Plant and machinery | Straight line over 6 years |
| Computer equipment | Straight line over 3 years |
| Fixtures, fittings & equipment | Straight line over 6 years |
| Motor vehicles | Straight line over 5 years |

1.6 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

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

1.7 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.8 Stock

Stock is valued at the lower of cost and net realisable value.

1.9 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.10 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

1 Accounting policies

(Continued)

1.11 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of ITEC Group Limited, a company incorporated in the United Kingdom, and is included in the consolidated accounts of that company.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

| 3 | Operating profit | 2014 £ | 2013 £ |
|---|--|-------------------|-------------------|
| | Operating profit is stated after charging: | | |
| | Amortisation of intangible assets | 332,740 | 132,720 |
| | Depreciation of tangible assets | 212,071 | 144,427 |
| | Loss on disposal of tangible assets | 5,395 | - |
| | Operating lease rentals | | |
| | - Plant and machinery | 341,144 | 216,373 |
| | - Other assets | 151,955 | 80,502 |
| | Auditors' remuneration (including expenses and benefits in kind) | 19,600 | 18,160 |
| | and after crediting: | | |
| | Profit on disposal of tangible assets | - | (440) |
| | | <u> </u> | <u> </u> |
| 4 | Investment income | 2014 £ | 2013 £ |
| | Income from shares in group undertakings | 607,243 | - |
| | Bank interest | 22 | 119 |
| | | <u>607,265</u> | <u>119</u> |
| 5 | Interest payable | 2014 £ | 2013 £ |
| | On bank loans and overdrafts | 269 | 90 |
| | Hire purchase interest | 8,805 | 5,718 |
| | On amounts payable to factors | 5,142 | 8,835 |
| | Other interest | 133,987 | 83,159 |
| | | <u>148,203</u> | <u>97,802</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

| 6 | Taxation | 2014 £ | 2013 £ |
|---|---|------------------|-----------------|
| | Domestic current year tax | | |
| | U.K. corporation tax | 3,135 | 39,169 |
| | Adjustment for prior years | (39,824) | - |
| | Total current tax | <u>(36,689)</u> | <u>39,169</u> |
| | Deferred tax | | |
| | Origination and reversal of timing differences | 21,926 | 4,799 |
| | | <u>(14,763)</u> | <u>43,968</u> |
| | Factors affecting the tax charge for the year | | |
| | Profit on ordinary activities before taxation | <u>784,336</u> | <u>262,747</u> |
| | Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2013 - 24.00%) | <u>156,867</u> | <u>63,059</u> |
| | Effects of: | | |
| | Non deductible expenses | 9,154 | 9,617 |
| | Depreciation add back | 71,348 | 66,410 |
| | Capital allowances | (66,805) | (31,804) |
| | Tax losses utilised | (47,059) | (66,385) |
| | Adjustments to previous periods | (39,824) | - |
| | Chargeable disposals | 1,079 | - |
| | Dividends and distributions received | (121,449) | - |
| | Other tax adjustments | - | (1,728) |
| | | <u>(193,556)</u> | <u>(23,890)</u> |
| | Current tax charge for the year | <u>(36,689)</u> | <u>39,169</u> |
| 7 | Dividends | 2014 £ | 2013 £ |
| | Ordinary interim paid | <u>120,000</u> | <u>110,000</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

8 Intangible fixed assets

| | Goodwill £ |
|---------------------------|---------------|
| Cost | |
| At 1 March 2013 | 1,447,863 |
| Transfer from investments | 2,095,992 |
| At 28 February 2014 | 3,543,855 |
| Amortisation | |
| At 1 March 2013 | 312,198 |
| Charge for the year | 332,740 |
| At 28 February 2014 | 644,938 |
| Net book value | |
| At 28 February 2014 | 2,898,917 |
| At 28 February 2013 | 1,135,665 |

9 Tangible fixed assets

| | Rental equipment | Improvements to property | Plant, machinery & computer equipment | Fixtures, fittings & equipment | Motor vehicles | Total |
|-----------------------|---------------------|-----------------------------|--|--------------------------------------|-------------------|-----------|
| | £ | £ | £ | £ | £ | £ |
| Cost | | | | | | |
| At 1 March 2013 | 403,307 | 88,760 | 133,802 | 142,757 | 42,071 | 810,697 |
| Additions | 169,498 | 26,615 | 62,946 | 20,939 | 61,148 | 341,146 |
| Disposals | - | - | - | (2,650) | (38,687) | (41,337) |
| At 28 February 2014 | 572,805 | 115,375 | 196,748 | 161,046 | 64,532 | 1,110,506 |
| Depreciation | | | | | | |
| At 1 March 2013 | 152,032 | 41,472 | 66,517 | 101,671 | 13,166 | 374,858 |
| On disposals | - | - | - | - | (2,117) | (2,117) |
| Charge for the year | 127,522 | 7,030 | 41,044 | 22,571 | 13,901 | 212,068 |
| At 28 February 2014 | 279,554 | 48,502 | 107,561 | 124,242 | 24,950 | 584,809 |
| Net book value | | | | | | |
| At 28 February 2014 | 293,251 | 66,873 | 89,187 | 36,804 | 39,582 | 525,697 |
| At 28 February 2013 | 251,275 | 47,288 | 67,285 | 41,086 | 28,905 | 435,839 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

9 Tangible fixed assets (Continued)

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

| | Motor vehicles £ |
|---|------------------------|
| Net book values | |
| At 28 February 2014 | 30,768 |
| At 28 February 2013 | 25,321 |
| Depreciation charge for the year | |
| At 28 February 2014 | 6,872 |
| At 28 February 2013 | 6,120 |

10 Fixed asset investments

| | Shares in subsidiary undertakings £ |
|-----------------------|--|
| Cost | |
| At 1 March 2013 | 2,132,909 |
| Additions | 5,683 |
| Transfer to goodwill | (2,095,992) |
| At 28 February 2014 | 42,600 |
| Net book value | |
| At 28 February 2014 | 42,600 |
| At 28 February 2013 | 2,132,909 |

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

| Company | Country of registration or incorporation | Class | Shares held % |
|--------------------------------|---|----------|------------------|
| Subsidiary undertakings | | | |
| Time Business Systems Limited | UK | Ordinary | 100.00 |
| Citrus Digital Limited | UK | Ordinary | 100.00 |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

10 Fixed asset investments

(Continued)

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

| | | Capital and reserves 2014 £ | Profit/(loss) for the year 2014 £ |
|-------------------------------|-------------------------------|--------------------------------------|--|
| Time Business Systems Limited | Principal activity Dormant | 42,500 | - |
| Citrus Digital Limited | Sale of photocopiers | (68,058) | 82,788 |
| | | <u> </u> | <u> </u> |

11 Stocks

| | 2014 £ | 2013 £ |
|-------------------------------------|-------------------|-------------------|
| Finished goods and goods for resale | 2,465,379 | 1,618,520 |
| | <u> </u> | <u> </u> |

12 Debtors

| | 2014 £ | 2013 £ |
|---|-------------------|-------------------|
| Trade debtors | 3,461,559 | 2,377,374 |
| Amounts owed by parent and fellow subsidiary undertakings | 68,058 | 278,085 |
| Other debtors | 91,609 | 62,143 |
| Prepayments and accrued income | 362,626 | 340,048 |
| | <u> </u> | <u> </u> |
| | 3,983,852 | 3,057,650 |
| | <u> </u> | <u> </u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

| 13 Creditors: amounts falling due within one year | 2014 £ | 2013 £ |
|---|------------------|------------------|
| Bank loans and overdrafts | - | 123,703 |
| Net obligations under hire purchase contracts | 13,296 | 35,790 |
| Trade creditors | 4,404,980 | 2,979,940 |
| Amounts owed to parent and fellow subsidiary undertakings | 466,164 | 595,696 |
| Corporation tax | 3,135 | 39,296 |
| Other taxes and social security costs | 483,413 | 198,812 |
| Directors' current accounts | - | 1,278 |
| Other creditors | 446,378 | 377,248 |
| Accruals and deferred income | 762,309 | 503,893 |
| | <u>6,579,675</u> | <u>4,855,656</u> |
| Debt due in one year or less | <u>13,296</u> | <u>262,159</u> |

The bank borrowings, other creditors and amounts owed to group undertakings are secured by a fixed and floating charge over the assets of the company.

Hire purchase balances are secured on the assets to which they relate.

Other creditors includes amounts of £nil (2013: £263,795) owed under an invoice discounting facility.

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

| 14 Creditors: amounts falling due after more than one year | 2014 £ | 2013 £ |
|---|----------------|------------------|
| Amounts owed to parent | 936,632 | 1,339,562 |
| Net obligations under hire purchase contracts | 12,311 | 28,447 |
| | <u>948,943</u> | <u>1,368,009</u> |
| Analysis of loans | | |
| Wholly repayable within five years | 936,632 | 1,442,228 |
| | <u>936,632</u> | <u>1,442,228</u> |
| Included in current liabilities | - | (102,666) |
| | <u>936,632</u> | <u>1,339,562</u> |
| Loan maturity analysis | | |
| In more than one year but not more than two years | 503,602 | 644,287 |
| In more than two years but not more than five years | 433,030 | 715,514 |
| | <u>503,602</u> | <u>715,514</u> |
| Net obligations under hire purchase contracts | | |
| Repayable within one year | 15,349 | 37,299 |
| Repayable between one and five years | 14,074 | 33,957 |
| | <u>29,423</u> | <u>71,256</u> |
| Finance charges and interest allocated to future accounting periods | (3,816) | (7,019) |
| | <u>25,607</u> | <u>64,237</u> |
| Included in liabilities falling due within one year | (13,296) | (35,790) |
| | <u>12,311</u> | <u>28,447</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

15 Provisions for liabilities

| | Deferred tax liability £ |
|-----------------------------|--------------------------------|
| Balance at 1 March 2013 | 4,799 |
| Profit and loss account | 21,926 |
| | <u>26,725</u> |
| Balance at 28 February 2014 | <u>26,725</u> |

The deferred tax liability is made up as follows:

| | 2014 £ | 2013 £ |
|--------------------------------|---------------|--------------|
| Accelerated capital allowances | <u>26,725</u> | <u>4,799</u> |

16 Pension and other post-retirement benefit commitments Defined contribution

| | 2014 £ | 2013 £ |
|---|---------------|---------------|
| Contributions payable by the company for the year | <u>35,978</u> | <u>26,976</u> |

17 Share capital

| | 2014 £ | 2013 £ |
|---|------------|------------|
| Allotted, called up and fully paid | | |
| 1,750 Ordinary of 10p each | <u>175</u> | <u>175</u> |

18 Statement of movements on reserves

| | Share premium account £ | Profit and loss account £ |
|-----------------------------|----------------------------------|------------------------------------|
| Balance at 1 March 2013 | 1,879,925 | 273,943 |
| Profit for the year | - | 799,099 |
| Dividends paid | - | (120,000) |
| | <u>1,879,925</u> | <u>953,042</u> |
| Balance at 28 February 2014 | <u>1,879,925</u> | <u>953,042</u> |

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

| 19 Reconciliation of movements in shareholders' funds | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Profit for the financial year | 799,099 | 218,779 |
| Dividends | (120,000) | (110,000) |
| Net addition to shareholders' funds | 679,099 | 108,779 |
| Opening shareholders' funds | 2,154,043 | 2,045,264 |
| Closing shareholders' funds | 2,833,142 | 2,154,043 |

20 Financial commitments

At 28 February 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 28 February 2015:

| | Land and buildings | | Other | |
|--------------------------------|--------------------|-----------|-----------|-----------|
| | 2014 £ | 2013 £ | 2014 £ | 2013 £ |
| Operating leases which expire: | | | | |
| Within one year | 27,668 | - | 27,485 | - |
| Between two and five years | 19,000 | 95,108 | 174,807 | 181,180 |
| In over five years | 65,000 | - | - | - |
| | 111,668 | 95,108 | 202,292 | 181,180 |

| 21 Directors' remuneration | 2014 £ | 2013 £ |
|---|-----------|-----------|
| Remuneration for qualifying services | 461,851 | 323,793 |
| Company pension contributions to defined contribution schemes | 5,229 | 2,701 |
| | 467,080 | 326,494 |

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2013 - 1).

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

| | | |
|--------------------------------------|---------|---------|
| Remuneration for qualifying services | 183,240 | 181,062 |
|--------------------------------------|---------|---------|

ITEC CONNECT LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2014

22 Employees

Number of employees

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

| | 2014 Number | 2013 Number |
|----------------------------|----------------|----------------|
| Directors | 2 | 2 |
| Sales and Marketing | 27 | 15 |
| Service and Support | 67 | 38 |
| Finance and Administration | 12 | 9 |
| | <u>108</u> | <u>64</u> |

Employment costs

| | 2014 £ | 2013 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 3,504,002 | 2,183,885 |
| Social security costs | 372,583 | 214,489 |
| Other pension costs | 35,978 | 26,976 |
| | <u>3,912,563</u> | <u>2,425,350</u> |

23 Control

The director considers that Itec (Pty) Limited (incorporated in South Africa) is the company's ultimate parent company. The ultimate controlling party is Itec Group Limited (incorporated in the United Kingdom).

24 Related party relationships and transactions

At the year end there is £1,360,296 due to ITEC Group Limited, the parent company (2013: £1,303,689). Interest is charged on the loan at a commercial rate and £452,989 is due for repayment within one year (2013: £277,175). Interest of £133,987 (2013: £83,159) was paid to ITEC Group Limited on this loan during the year.

During the year the company made sales of £495,783 to ITEC Group Limited (2013: £11,100) and incurred costs of £100,705 (2013: £93,047)

During the year costs were incurred of £5,765 (2013: £5,328) from Harrison Hill Castle & Co, an entity in which M French is a partner, for accountancy services and directors fees. At the year end the company owed £2,823 (2013: £Nil) To Harrison Hill Castle & Co.

The company has taken advantage of the exemption available in FRS 8 "Related party disclosures" whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.