

STARCOM TECHNOLOGIES LIMITED
(FORMERLY WILLOW STARCOM LIMITED)

Annual report and financial statements

Period ended

30 June 2015

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STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)

REPORT AND FINANCIAL STATEMENTS 2015

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Statement of directors' responsibilities	4
Independent auditors' report	5
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9

STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)

REPORT AND FINANCIAL STATEMENTS 2015

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

D J Bolton

B S Davis

SECRETARY

S C Kidwell

REGISTERED OFFICE

Baltimore House
50 Kansas Avenue
Manchester
M50 2GL

BUSINESS ADDRESS

Wigan Investment Centre
Waterside Drive
Wigan
WN3 5BA

BANKERS

Barclays Bank plc
Manchester

SOLICITORS

Squire Patton Boggs LLP
Manchester

AUDITORS

BDO LLP
Chartered Accountants
3 Hardman Street
Spinningfields
Manchester
M3 3AT

STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements, for the seven month period ended 30 June 2015.

PRINCIPAL ACTIVITY

The principal activity of the company during the period was that of hosting, maintenance and support of computer hardware and software systems.

BUSINESS REVIEW

On 21 April 2015, the whole of the issued share capital of the company was acquired by K3 Hosting Limited and on 30 September 2015 the company changed its name to Starcom Technologies Limited. The financial year end was changed to 30 June from 30 November and this review therefore provides audited figures for the seven month period to 30 June 2015 with comparative figures for the year ended 30 November 2014.

The company's results for the period are set out on page 7 of the financial statements.

POST BALANCE SHEET EVENT

On 1 December 2015, the company acquired the On-Premise (or Remote Monitoring and Maintenance ("RMM")) business and certain assets from a fellow subsidiary, K3 Systems Support Limited.

On 1 January 2016, the company acquired the On-Premise managed services business and certain assets from a fellow subsidiary, K3 FDS Limited.

On 1 January 2016, all of the trade and assets of K3 Hosting Limited, which had become a subsidiary of the company on 22 December 2015, were hived up into the company.

DIVIDEND AND TRANSFERS TO RESERVES

The loss for the period after taxation was £356,013 (year ended 30 November 2014: profit of £96,584). This is stated after charging exceptional costs in relation to the acquisition of the company by K3 Hosting Limited of £452,045 (year ended 30 November 2014: £nil).

An interim dividend of £454,850 was paid (year ended 30 November 2014: £nil). The directors do not propose the payment of a final dividend (year ended 30 November 2014: £nil).

FIXED ASSETS

Changes in fixed assets during the period are set out in note 8 to the accounts.

DIRECTORS

The directors who served during the period were as follows:

M Berry	(resigned 21 April 2015)
D Harrison	(resigned 21 April 2015)
M E W Jackson	(resigned 21 April 2015)
D J Bolton	(appointed 21 April 2015)
B S Davis	(appointed 21 April 2015)

DIRECTORS' REPORT (CONTINUED)

AUDITORS

All of the current directors have taken all of the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP were appointed auditors during the year. BDO LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

In preparing this report the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

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

A handwritten signature in black ink, appearing to read 'B S Davis', with a stylized, flowing script.

B S Davis
Director
30 March 2016

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 period. 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STARCOM TECHNOLOGIES LIMITED

We have audited the financial statements of Starcom Technologies Limited for the period ended 30 June 2015 which comprise the profit and loss account, the balance sheet and the related notes. 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 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 auditors

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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 30 June 2015 and of its loss for the period 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF STARCOM TECHNOLOGIES LIMITED
(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; or
- the directors were not entitled to prepare the directors' report in accordance with the small companies regime and to the exemption from the requirement to prepare a strategic report.



*Philip Storer (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester*

31 March 2016

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)

PROFIT AND LOSS ACCOUNT

Period ended 30 June 2015

		7 months ended 30 June 2015 £	Year ended 30 November 2014 £
	Note		
TURNOVER	2	1,429,428	2,656,069
Cost of sales		(616,560)	(1,500,243)
GROSS PROFIT		812,868	1,155,826
Administrative expenses		(1,257,981)	(1,053,288)
Operating profit before exceptional costs		13,424	102,538
Exceptional costs	5	(458,537)	-
OPERATING (LOSS) PROFIT	5	(445,113)	102,538
Interest receivable and similar income		1	7
(LOSS) PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(445,112)	102,545
Tax on (loss) profit on ordinary activities	6	89,099	(5,961)
(LOSS) PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD		(356,013)	96,584

All amounts relate to continuing activities.

There are no recognised gains or losses other than those reported in the profit and loss account.

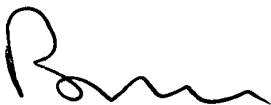
The accompanying notes on pages 9 to 17 are an integral part of this profit and loss account.

STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)**COMPANY NUMBER: 02286795****BALANCE SHEET
30 June 2015**

	Note	30 June 2015 £	30 November 2014 £
FIXED ASSETS			
Tangible fixed assets	8	142,284	194,022
CURRENT ASSETS			
Debtors	9	687,368	1,423,068
Cash at bank and in hand		216,589	481,476
		903,957	1,904,544
CREDITORS: amounts falling due within one year	10	(945,455)	(1,166,842)
NET CURRENT (LIABILITIES) ASSETS		(41,498)	737,702
TOTAL ASSETS LESS CURRENT LIABILITIES		100,786	931,724
PROVISION FOR LIABILITIES AND CHARGES	11	-	(20,075)
NET ASSETS		100,786	911,649
CAPITAL AND RESERVES			
Called up share capital	12	100	100
Profit and loss account	13	100,686	911,549
SHAREHOLDER'S FUNDS	14	100,786	911,649

These financial statements were approved by the Board of Directors and authorised for issue on 30 March 2016.

Signed on behalf of the Board of Directors



B S Davis
Director

The accompanying notes on pages 9 to 17 are an integral part of this balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

1. ACCOUNTING POLICIES

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

The financial statements are prepared in accordance with United Kingdom applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairments. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset on a straight line basis over its expected useful life, as follows:

Plant, office equipment and fixtures	20-33% p.a.
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Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially 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 resulted 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 in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore 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.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

1. ACCOUNTING POLICIES (CONTINUED)

Turnover

Turnover is calculated net of value added tax and represents the total amount receivable by the company in respect of fees derived from hosting and managed services.

Income is recognised on delivery to a customer or on completion of contractual milestones. Income from hosting and managed services is generally invoiced in advance, termed "deferred income", and taken to income in equal monthly instalments over the relevant period.

Leases

Assets held under finance leases and other similar contracts, 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, whilst the interest elements are charged to the profit and loss account over the period of the lease 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 and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Pension costs

For defined contribution schemes 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 period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

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

2. SEGMENT INFORMATION

All turnover arises from the company's principal activities and arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	7 months ended 30 June 2015 No.	Year ended 30 November 2014 No.
Average number of persons employed (including directors)		
Programmers and consultants	14	14
Sales and distribution	4	4
Administration	4	7
	<u>22</u>	<u>25</u>

	7 months ended 30 June 2015 £	Year ended 30 November 2014 £
Staff costs during the period		
Wages and salaries	916,364	901,167
Social security costs	103,280	100,140
Pension costs	16,613	31,068
	<u>1,036,257</u>	<u>1,032,375</u>

4. DIRECTORS' REMUNERATION

	7 months ended 30 June 2015 £	Year ended 30 November 2014 £
Emoluments	492,761	238,831
Compensation for loss of office	30,000	-
Contributions to personal pension schemes	5,929	15,750
	<u>528,690</u>	<u>254,581</u>

During the period, retirement benefits were accruing to two directors (year ended 30 November 2014: 2) in respect of defined benefit contribution pension schemes.

The highest paid director received remuneration of £280,504 (year ended 30 November 2014: £120,549) including compensation for loss of office of £30,000 (year ended 30 November 2014: £nil) and pension contributions of £2,723 (year ended 30 November 2014: £7,875).

No directors have received emoluments since the company's acquisition by K3 Hosting Limited on 21 April 2015 as these are paid by the ultimate parent company.

STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

5. OPERATING (LOSS) PROFIT

	7 months ended 30 June 2015 £	Year ended 30 November 2014 £
Operating (loss) profit is after charging:		
Depreciation		
- Owned assets	68,780	92,000
Rentals under operating leases		
- land and buildings	30,420	60,122
- other	26,744	36,580
Auditors' remuneration		
- Audit fees	7,500	5,580
Staff costs (see below)	1,036,257	1,032,375

Staff costs for the seven months ended 30 June 2015 include exceptional costs of £458,537 in relation to the acquisition of the company by K3 Hosting Limited.

6. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES

	7 months ended 30 June 2015 £	Year ended 30 November 2014 £
United Kingdom corporation tax		
Current period	(26,201)	-
Total current tax (credit) charge	(26,201)	-
Deferred taxation		
Current period	(62,898)	5,961
Total deferred tax (credit) charge	(62,898)	5,961
Total tax (credit) charge	(89,099)	5,961

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

6. TAX ON (LOSS) PROFIT ON ORDINARY ACTIVITIES (CONTINUED)

The differences between the total current tax shown and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	7 months ended 30 June 2015 £	Year ended 30 November 2014 £
(Loss) profit on ordinary activities before tax	(445,112)	102,545
Tax on (loss) profit on ordinary activities at standard corporation tax in the UK of 20.75% (year ended 30 November 2014 - 21.7%)	(92,361)	22,218
Effects of:		
Expenses not deductible for tax purposes	736	1,076
Depreciation in excess of (less than) capital allowances	13,391	(5,802)
Impact of change in rate	-	(484)
Group relief	-	(9,381)
Unutilised losses	52,033	-
Utilisation of brought forward losses	-	(7,627)
Total current tax (credit) charge for the period	(26,201)	-

7. DIVIDENDS

	7 months ended 30 June 2015 £	Year ended 30 November 2014 £
Interim dividend of £4,548.50 per £1 Share (year ended 30 November 2014: £nil)	454,850	-

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

8. TANGIBLE FIXED ASSETS

	Plant, office equipment and fixtures £
Cost or valuation	
At 1 December 2014	503,294
Additions	26,263
Disposals	(95,506)
At 30 June 2015	434,051
Accumulated depreciation	
At 1 December 2014	309,272
Charge for the period	68,780
On disposals	(86,285)
At 30 June 2015	291,767
Net book value	
At 30 June 2015	142,284
At 30 November 2014	194,022

9. DEBTORS

	30 June 2015 £	30 November 2014 £
Amounts falling due within one year:		
Trade debtors	412,337	341,286
Amounts owed by group undertakings	104,394	844,715
Deferred tax (see note 11)	42,823	-
Prepayments and accrued income	127,814	237,067
	687,368	1,423,068

STARCOM TECHNOLOGIES LIMITED (FORMERLY WILLOW STARCOM LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30 June 2015	30 November 2014
	£	£
Trade creditors	247,517	300,705
Other taxes and social security	95,153	122,722
Other creditors	1,506	-
Accruals	153,225	127,045
Deferred income	448,054	616,370
	<u>945,455</u>	<u>1,166,842</u>

11. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Balance at 1 December 2014	20,075
Credit for the period	(62,898)
Balance at 30 June 2015	<u>(42,823)</u>

The balance at 30 June 2015 is included within debtors (see note 9).

The amounts provided in the financial statements are as follows:

	30 June 2015	30 November 2014
	£	£
Capital allowances in advance of depreciation	7,329	20,075
Losses	(50,152)	-
	<u>(42,823)</u>	<u>20,075</u>

12. CALLED UP SHARE CAPITAL

	30 June 2015	30 November 2014
	£	£
Allotted, called up and fully paid ordinary shares of £1 each	<u>100</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

13. RESERVES

	Profit & Loss account £
At beginning of the period	911,549
Loss for the financial period	(356,013)
Dividends paid	(454,850)
	<hr/>
At end of the period	100,686
	<hr/>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS

	30 June 2015 £	30 November 2014 £
Retained (loss) profit for the financial period	(356,013)	96,584
Dividends paid	(454,850)	-
	<hr/>	<hr/>
Net (decrease) increase in shareholder's funds in the period	(810,863)	96,584
Opening shareholder's funds	911,649	815,065
	<hr/>	<hr/>
Closing shareholder's funds	100,786	911,649
	<hr/>	<hr/>

15. FINANCIAL COMMITMENTS

Operating lease commitments

	30 June 2015		30 November 2014	
	Land & buildings £	Other £	Land & buildings £	Other £
Leases which expire:				
Within one year	-	4,805	-	6,431
Within two to five years	62,000	34,262	60,122	23,860
	<hr/>	<hr/>	<hr/>	<hr/>
	62,000	39,067	60,122	30,291
	<hr/>	<hr/>	<hr/>	<hr/>

16. PENSION ARRANGEMENTS

The company operates a defined contribution scheme for which the pension cost charge for the period amounted to £16,613 (year ended 30 November 2014: £31,068).

17. CASH FLOW STATEMENT

As permitted by Financial Reporting Standard No. 1 (revised 1996), the company has not produced a cash flow statement, as it is a wholly-owned subsidiary undertaking of K3 Business Technology Group plc which has produced consolidated financial statements that are publicly available.

NOTES TO THE FINANCIAL STATEMENTS

Period ended 30 June 2015

18. POST BALANCE SHEET EVENTS

On 1 December 2015, the company acquired the On-Premise (or Remote Monitoring and Maintenance ("RMM")) business and certain assets from a fellow subsidiary, K3 Systems Support Limited.

On 1 January 2016, the company acquired the On-Premise managed services business and certain assets from a fellow subsidiary, K3 FDS Limited.

On 1 January 2016, all of the trade and assets of K3 Hosting Limited, which had become a subsidiary of the company on 22 December 2015, were hived up into the company.

19. ULTIMATE PARENT COMPANY

The company is a subsidiary undertaking of K3 Managed Services Holdco Limited which is incorporated in Great Britain and registered in England and Wales. The largest and smallest group in which the results of the company are consolidated is that headed by K3 Business Technology Group plc. Copies of the group financial statements are available from Baltimore House, 50 Kansas Avenue, Manchester, M50 2GL.

20. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from reporting transactions between the company and other group undertakings granted by Financial Reporting Standard No.8 where 100% of the voting rights are controlled by the group and the consolidated financial statements are publicly available.

21. CONTINGENT LIABILITY

The company has entered into a cross-guarantee with fellow group undertakings in relation to liabilities with Barclays Bank plc. At the period end the liabilities covered by this guarantee totalled £13,322,000.