

STARCOM TECHNOLOGIES LIMITED

Annual report and financial statements

Year ended

30 June 2016

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STARCOM TECHNOLOGIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

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STARCOM TECHNOLOGIES LIMITED

REPORT AND FINANCIAL STATEMENTS 2016

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A Valdimarsson

R D Price

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

HSBC Bank plc
Manchester

SOLICITORS

Squire Patton Boggs LLP
Manchester

Shoosmiths LLP
Reading

AUDITORS

BDO LLP
Registered auditors
3 Hardman Street
Spinningfields
Manchester
M3 3AT

STARCOM TECHNOLOGIES LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the company, together with the audited financial statements, for the year ended 30 June 2016.

PRINCIPAL ACTIVITY

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

CHANGE IN ACCOUNTING FRAMEWORK

The company has adopted FRS 101 "Reduced Disclosure Framework" for the first time this year. In previous years the company has applied applicable UK accounting standards. The impact of this change is described in note 24.

BUSINESS REVIEW

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

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 profit for the year after taxation was £553,571 (seven months ended 30 June 2015: loss of £356,013). The loss for the period ended 30 June 2015 is stated after charging exceptional costs in relation to the acquisition of the company by the K3 Business Technology Group of £452,045).

An interim dividend of £200,000 was paid (2015: £454,850). The directors do not propose the payment of a final dividend (2015: £nil).

FIXED ASSETS

Changes in fixed assets during the period are set out in note 11 to the accounts.

DIRECTORS

The directors who served during the period were as follows:

D J Bolton	(resigned 18 November 2016)
B S Davis	(resigned 17 October 2016)
A Valdimarsson	(appointed 26 October 2016)
R D Price	(appointed 26 October 2016)

DISABLED EMPLOYEES

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

STARCOM TECHNOLOGIES LIMITED

DIRECTORS' REPORT (CONTINUED)

EMPLOYEE CONSULTATION

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through informal discussions between management and other employees at a local level.

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 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



R D Price
Director
20 March 2017

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 including FRS101 "reduced disclosure framework"). 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 year ended 30 June 2016 which comprise the profit and loss account, the balance sheet, the statement of changes in equity 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 including FRS101 "reduced disclosure framework").

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 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other 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.



*Julien Rye (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Manchester*

31/3/17

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

STARCOM TECHNOLOGIES LIMITED

PROFIT AND LOSS ACCOUNT

Year ended 30 June 2016

		Year ended 30 June 2016 £	7 months ended 30 June 2015 £
	Note		
TURNOVER	3	6,626,286	1,429,428
Cost of sales		(2,412,997)	(616,560)
GROSS PROFIT		4,213,289	812,868
Administrative expenses		(3,557,161)	(1,257,981)
Operating profit before exceptional costs		656,128	13,424
Exceptional costs	6	-	(458,537)
OPERATING PROFIT/(LOSS)	6	656,128	(445,113)
Interest receivable and similar income		-	1
Interest payable	7	(28,636)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		627,492	(445,112)
Tax on profit/(loss) on ordinary activities	8	(73,921)	89,099
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE PERIOD		553,571	(356,013)

All amounts relate to continuing activities.

There was no other comprehensive income.

The accompanying notes on pages 10 to 23 are an integral part of this profit and loss account.

STARCOM TECHNOLOGIES LIMITED**COMPANY NUMBER: 02286795****BALANCE SHEET****30 June 2016**

	Note	2016 £	2015 £
FIXED ASSETS			
Intangibles	10	2,463,301	-
Tangible fixed assets	11	477,447	142,284
Investments	12	-	-
		<u>2,940,748</u>	<u>142,284</u>
CURRENT ASSETS			
Debtors	13	2,498,254	687,368
Cash at bank and in hand		522,840	216,589
		<u>3,021,094</u>	<u>903,957</u>
CREDITORS: amounts falling due within one year	14	<u>(3,766,956)</u>	<u>(945,455)</u>
NET CURRENT LIABILITIES		<u>(745,862)</u>	<u>(41,498)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,194,886</u>	<u>100,786</u>
CREDITORS: amounts falling due after more than one year	15	(1,740,529)	-
PROVISION FOR LIABILITIES AND CHARGES	16	-	-
NET ASSETS		<u>454,357</u>	<u>100,786</u>
CAPITAL AND RESERVES			
Called up share capital	17	100	100
Profit and loss account	18	454,257	100,686
SHAREHOLDER'S FUNDS		<u>454,357</u>	<u>100,786</u>

These financial statements were approved by the Board of Directors and authorised for issue on 20 March 2017.

Signed on behalf of the Board of Directors



R D Price
Director

The accompanying notes on pages 10 to 23 are an integral part of this balance sheet.

STARCOM TECHNOLOGIES LIMITED

STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2016

	Share capital	Retained earnings	Total
	£	£	£
<i>Changes in equity for the period ended 30 June 2015</i>			
At 1 December 2014	100	911,549	911,649
Loss for the period	-	(356,013)	(356,013)
Dividends paid to equity holder	-	(454,850)	(454,850)
	<hr/>	<hr/>	<hr/>
At 30 June 2015	100	100,686	100,786
<i>Changes in equity for the year ended 30 June 2016</i>			
Profit for the year	-	553,571	553,571
Dividends paid to equity holder	-	(200,000)	(200,000)
	<hr/>	<hr/>	<hr/>
At 30 June 2016	<hr/> 100 <hr/>	<hr/> 454,257 <hr/>	<hr/> 454,357 <hr/>

The accompanying notes on pages 10 to 23 are an integral part of this statement of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared in accordance with Financial Reporting Standard 100 Application of Financial Reporting Requirements and Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are prepared under the historical cost convention. The presentational currency is sterling.

The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, as it is itself a wholly owned subsidiary of K3 Business Technology Group plc, a company registered in England and Wales, which has produced group financial statements.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of all disclosure exemptions conferred by FRS 101. Therefore these financial statements do not include:

- certain comparative information as otherwise required by EU endorsed IFRS;
- certain disclosures regarding the company's capital;
- a statement of cash flows;
- the effect of future accounting standards not yet adopted;
- the disclosure of the remuneration of key management personnel; and
- disclosure of related party transactions with other wholly owned members of the group headed by K3 Business Technology Group plc.

In addition, and in accordance with FRS 101 further disclosure exemptions have been adopted because equivalent disclosures are included in the consolidated financial statements of K3 Business Technology Group plc. These financial statements do not include certain disclosures in respect of:

- Financial Instruments (other than certain disclosures required as a result of recording financial instruments at fair value);
- Fair value measurement (other than certain disclosures required as a result of recording financial instruments at fair value).

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

First time application of FRS 100 and 101

In the current period the company has adopted FRS 100 and FRS 101. In previous years the financial statements were prepared in accordance with applicable UK accounting standards. This change in the basis of preparation has materially altered the recognition and measurement requirements previously applied in accordance with UK GAAP. An explanation of the impact of the adoption of FRS 100 and FRS 101 for the first time is included in note 24. There have been no other material amendments to the disclosure requirements previously applied in accordance with UK GAAP.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (CONTINUED)

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

Turnover

Turnover is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the company.

Turnover comprises the value of sales to third party customers of hosting and managed services. It is stated exclusive of value added tax and net of trade discounts and rebates.

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

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

1. ACCOUNTING POLICIES (CONTINUED)

Goodwill

The company has hived up the trade and assets of a subsidiary undertaking into the company at book value. This results in an investment in a subsidiary which has no trade and hence provision would normally be made against that investment under UK GAAP. The company has however applied a true and fair override as allowed under the Companies Act 2006 and transferred an amount equal to the goodwill arising on the investment to goodwill. The directors feel that this more accurately reflects the fact that in substance there has been no loss of value to the company.

Goodwill is not amortised but is measured at cost less impairment losses. Goodwill is tested for impairment at least annually. The company performs its impairment reviews at the cash-generating unit level. Any impairment is recognised immediately in the profit and loss account and is not subsequently reversed.

Intangible fixed assets

Externally acquired intangible fixed assets (other than goodwill) are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives. The amortisation expense is included within administrative expenses in the profit and loss account. The significant intangibles recognised by the company and their estimated useful economic lives are as follows:

Development costs	3-7 years
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Research and development

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from the company's software development is recognised only if all of the following conditions are met:

- it is technically feasible to develop the product for it to be sold;
- adequate resources are available to complete the development;
- there is an intention to complete and sell the product;
- the company is able to sell the product;
- sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

The expenditure capitalised represents the cost of direct labour incurred in developing the software product.

Capitalised development costs are amortised on a straight-line basis over their useful lives commencing from the date the asset is available for use. The estimated useful lives for development expenditure are estimated to be in a range of between three and five years. The amortisation expense is included within administrative expenses in the profit and loss account. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

1. ACCOUNTING POLICIES (CONTINUED)

Tangible fixed assets

Items of tangible fixed assets are initially recognised at cost. The cost of items of tangible fixed assets is its purchase cost, together with any incidental costs of acquisition. As well as the purchase price, cost includes directly attributable costs of bringing the asset into use.

Depreciation is calculated so as to write off, on a straight-line basis over the expected useful economic lives of the asset concerned, the cost of tangible fixed assets, less estimated residual values, which are adjusted, if appropriate, at each reporting date. The principal economic lives used for this purpose are:

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

Provision is made against the carrying value of items of tangible fixed assets where impairment in value is deemed to have occurred.

Impairment charges of fixed assets

Impairment tests on goodwill with indefinite useful economic lives are undertaken at the financial period end. Other fixed assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of its fair value less costs to sell and its value in use (effectively the expected cash to be generated from using the asset in the business)), the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit (i.e. the lowest group of assets in which the asset belongs for which there are separable identifiable cash flows that are largely independent of the cash flows from the other assets or groups of assets).

The estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Impairment charges are included in administrative expenses in the profit and loss account. An impairment loss recognised for goodwill is not reversed.

Investments

Fixed asset investments are shown at cost less any provision for losses arising on impairment.

Leases

Leases for which the company assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the income statement over the period of the lease. The capital element reduces the balance owed to the lessor.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

1. ACCOUNTING POLICIES (CONTINUED)

Pension costs

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account as incurred. The company has no defined benefit arrangements in place.

Foreign currency

Transactions entered into by the company in a currency other than the currency of the primary economic environment in which it operates (the "functional currency") are translated at the rates ruling at the dates of transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the rates ruling at that date. Exchange differences arising on the retranslation of unsettled monetary assets and liabilities are similarly recognised immediately in the profit and loss account.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The nature of the company's business is such that there can be unpredictable variation and uncertainty regarding its business. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The key sources of estimation that have a significant impact on the carrying value of assets and liabilities are discussed below:

Impairment of goodwill and other intangibles

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires an entity to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. An impairment review has been performed at the reporting date and no impairment has been identified. More details including carrying values are included in note 10.

Capitalised development expenditure and subsequent amortisation

Where such expenditure meets the relevant criteria the company is required to capitalise development expenditure. In order to assess whether the criteria is met the Board is required to make estimates in relation to likely income generation and financial and technical viability of the relevant development projects and the period over which the group is likely to benefit from such expenditure.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

3. SEGMENT INFORMATION

Turnover arises from:

	Year ended 30 June 2016	7 months ended 30 June 2015
	£	£
Software licence revenue	79,627	-
Services revenue	616,596	114,694
Recurring revenue	4,584,219	1,065,724
Hardware and other revenue	1,345,844	249,010
	<u>6,626,286</u>	<u>1,429,428</u>

The geographical analysis of turnover by customer location is:

	Year ended 30 June 2016	7 months ended 30 June 2015
	£	£
United Kingdom	6,580,342	1,429,428
Rest of Europe	15,204	-
USA	1,398	-
Rest of World	29,342	-
	<u>6,626,286</u>	<u>1,429,428</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Year ended 30 June 2016	7 months ended 30 June 2015
	£	£
Average number of persons employed (including directors)		
Programmers and consultants	37	14
Sales and distribution	6	4
Administration	7	4
	<u>50</u>	<u>22</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (CONTINUED)

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
Staff costs during the period		
Wages and salaries	1,918,772	916,364
Social security costs	219,477	103,280
Short-term non-monetary benefits	85,283	26,744
Pension costs	93,976	16,613
	<u>2,317,508</u>	<u>1,063,001</u>

5. DIRECTORS' REMUNERATION

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
Emoluments	-	492,761
Compensation for loss of office	-	30,000
Contributions to personal pension schemes	-	5,929
	<u>-</u>	<u>528,690</u>

During the year, no retirement benefits were accruing to directors (2015: 2 directors) in respect of defined benefit contribution pension schemes.

The highest paid director received remuneration in the period ended 30 June 2015 of £280,504 including compensation for loss of office of £30,000 and pension contributions of £2,723.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

6. OPERATING PROFIT/(LOSS)

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
Operating profit/(loss) is after charging:		
Depreciation		
- Owned assets	217,246	68,780
- Leased assets	3,185	-
Rentals under operating leases		
- land and buildings	102,063	30,420
- other	67,967	26,744
Auditors' remuneration		
- Audit fees	7,000	7,500
Staff costs (see below)	2,317,508	1,063,001

Staff costs for the seven month period ended 30 June 2015 include exceptional costs of £452,045 in relation to the acquisition of the company by the K3 Business Technology group.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
Finance lease interest paid	1,210	-
Intra-group interest payable	27,426	-
	<u>28,636</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

8. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
United Kingdom corporation tax		
Current period	109,183	(26,201)
Adjustment in respect of prior periods	(15,181)	-
Total current tax charge/(credit)	94,002	(26,201)
Deferred taxation		
Current period	43,333	(62,898)
Adjustment in respect of prior periods	(63,414)	-
Total deferred tax credit	(20,081)	(62,898)
Total tax charge/(credit)	72,921	(89,099)

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

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
Profit/(loss) on ordinary activities before tax	627,492	(445,112)
Tax on profit/(loss) on ordinary activities at standard corporation tax in the UK of 20% (2015: 20.75%)	125,498	(92,361)
Effects of:		
Expenses not deductible for tax purposes	26,018	3,262
Adjustment in respect of prior periods	(78,595)	-
Total tax charge/(credit) for the period	72,921	(89,099)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

9. DIVIDENDS

	Year ended 30 June 2016 £	7 months ended 30 June 2015 £
Interim dividend of £2,000 per £1 Share (2015: £4,548.50)	200,000	454,850

10. INTANGIBLES

	Goodwill	Development costs	Total
	£	£	£
Cost			
Additions	2,315,680	-	2,315,680
Intra-group transfers		232,919	232,919
At 30 June 2016	2,315,680	232,919	2,548,599
Accumulated amortisation			
Charge for the year	-	85,297	85,297
At 30 June 2016	-	85,297	85,297
Net book value			
At 30 June 2016	2,315,680	147,622	2,463,302
At 30 June 2015	-	-	-

Additions to goodwill during the year arose as a result of the hive up of the trade and assets of a subsidiary, K3 Hosting Limited, into the company on 1 January 2016 at book value. See note 12.

The intra-group transfers to development costs relate to the transfer of trade and assets from the company's subsidiary, K3 Hosting Limited, on 1 January 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

11. TANGIBLE FIXED ASSETS

	Plant, office equipment and fixtures £
Cost	
At 1 July 2015	434,051
Additions	141,133
Disposals	(318,248)
Intra-group transfers	414,460
	<hr/>
At 30 June 2016	671,397
Accumulated depreciation	
At 1 July 2015	291,767
Charge for the period	220,431
Disposals	(318,248)
	<hr/>
At 30 June 2016	193,950
Net book value	
At 30 June 2016	<hr/> 477,447 <hr/>
At 30 June 2015	<hr/> 142,284 <hr/>

12. INVESTMENTS

	£
Additions	2,315,680
Transfer to goodwill	(2,315,680)
	<hr/>
At 30 June 2016	-

During the year, the company acquired the entire issued share capital of K3 Hosting Limited. The trade and assets of K3 Hosting Limited were then transferred into the company on 1 January 2016 and the company ceased to trade.

The company holds investments in the following subsidiary undertakings:

Company	Nature of Business	Country of registration
K3 Hosting Limited	Dormant	England and Wales

All subsidiary undertakings are wholly owned and the shares consist of ordinary shares only.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 30 June 2016

13. DEBTORS

	2016	2015
	£	£
Amounts falling due within one year:		
Trade debtors	1,025,607	412,337
Amounts owed by group undertakings	831,816	104,394
Deferred tax (see note 16)	62,905	42,823
Prepayments and accrued income	577,927	127,814
	<u>2,498,254</u>	<u>687,368</u>

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Obligations under finance leases and HP contracts	17,643	-
Trade creditors	676,657	247,517
Due to group companies	412,324	-
Corporation tax	136,038	-
Other taxes and social security	342,943	95,153
Other creditors	9,380	1,506
Accruals	463,306	153,225
Deferred income	1,708,665	448,054
	<u>3,766,956</u>	<u>945,455</u>

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

	2016	2015
	£	£
Obligations under finance leases and HP contracts	38,281	-
Due to group companies	1,702,248	-
	<u>1,740,529</u>	<u>-</u>

Maturity analysis of amounts due after more than one year:

	2016	2015
	£	£
In more than one year but not more than two years	1,721,448	-
In more than two years but not more than five years	19,081	-
	<u>1,740,529</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

16. PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	£
Balance at 1 July 2015	(42,823)
Credit for the period	(20,082)
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Balance at 30 June 2016	(62,905)
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The balance is included within debtors (see note 13).

The amounts provided in the financial statements are as follows:

	2016	2015
	£	£
Capital allowances in advance of depreciation	(90,830)	7,329
Other timing differences	27,925	-
Losses	-	(50,152)
	<hr/>	<hr/>
	(62,905)	(42,823)
	<hr/>	<hr/>

17. CALLED UP SHARE CAPITAL

	2016	2015
	£	£
Allotted, called up and fully paid ordinary shares of £1 each	100	100
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18. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

<i>Reserve</i>	<i>Description and purpose</i>
Retained earnings	Cumulative net gains and losses recognised in the profit and loss account and credits to equity in relation to share-based payments.

19. PENSION ARRANGEMENTS

The company operates a defined contribution scheme for which the pension cost charge for the period amounted to £93,976 (2015: £16,613).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 30 June 2016

20. FINANCIAL COMMITMENTS

The total future value of minimum lease payments under non-cancellable operating leases is due as follows:

	2016		2015	
	Land & buildings	Other	Land & buildings	Other
	£	£	£	£
Not later than one year	85,389	103,516	62,000	39,607
Later than one year but not later than five years	89,248	286	51,667	42,464
	<u>174,637</u>	<u>103,802</u>	<u>113,667</u>	<u>81,531</u>

21. 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.

22. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption conferred by FRS 101 paragraph 8(j) and 8(k) not to disclose key management personnel compensation or transactions and amounts due to and from fellow group companies that are wholly owned by the ultimate parent company, K3 Business Technology Group Plc.

23. 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 £10,952,000.

24. FIRST TIME ADOPTION OF FRS 101

The company has adopted FRS 101, which applies the accounting policies of IFRS, with reduced disclosures. There were no material adjusting transactions.