

SOLAR COMMUNICATIONS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



SOLAR COMMUNICATIONS LIMITED

COMPANY INFORMATION

DIRECTORS

J H Colquhoun
M Colquhoun
B L Marnham
J Whitty
A Marshall
J Millard

COMPANY SECRETARY

J H Colquhoun

REGISTERED NUMBER

02319958

REGISTERED OFFICE

Unit 1
Greenways Business Park
Bellinger Close
Chippenham
Wiltshire
SN14 0SQ

INDEPENDENT AUDITORS

Bishop Fleming Bath Limited
Chartered Accountants & Statutory Auditors
Minerva House
Lower Bristol Road
Bath
BA2 9ER

SOLAR COMMUNICATIONS LIMITED

CONTENTS

	Page
Strategic report	1 - 3
Directors' report	4 - 5
Directors' responsibilities statement	6
Independent auditors' report	7 - 9
Statement of comprehensive income	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 32

SOLAR COMMUNICATIONS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

BUSINESS REVIEW

The Directors present their Strategic report for Solar Communications Limited (Solar) for the year ended 31 December 2017.

Principal activities

Solar is an independent, award-winning technology and cloud communications company. We connect organisations securely to their people and their customers so they work together more efficiently and more effectively.

Today the UK telecommunications marketplace is worth approximately £13.5 billion and much of this will be moving to the cloud over the next 5 years. Our strategy is to facilitate and capitalise on this step-change, and in 2016 the board decided to transform Solar from a traditional telephony reseller into a provider of cloud communications, including hosted Unified Communications (UCaaS), in the cloud. This transformation is now gathering speed with the strategy being delivered upon and is evidenced by the innovative solutions that are being won and delivered for customers, and with revenue from recurring business continuing to increase to its level at the end of 2017 of 76% of total margins.

Strategy

The company focuses on growth markets, including unified cloud & managed communications, mobility, security, data storage and SDWAN, whilst maintaining its strengths in voice, connectivity, contact centres and wide area networks.

New product launches in line with this strategy included high end capabilities in SDWAN and storage for cross sell across the Groups customers. Customers' shift from buying on-premises systems towards hybrid solutions including hosted and cloud services validated the company's strategy of investment in and around UCaaS.

Convergence and the move to the cloud creates a substantial opportunity for Solar and the company is in the process of adapting and harmonising the organisation, products and systems to take advantage of this. The necessary transformation projects are well underway, and Solar is already benefiting from the significant changes executed. The Senior Leadership team has now been in place for over a year, and the board is confident that Solar has experienced leadership with a history of delivering business transformation and growth in accordance with the strategy.

Business Performance

The company followed its strategy of broadening and deepening its capabilities through targeted acquisitions. This resulted in the purchase of Telecommunications with Logic Limited in August 2017 and Fairford Communications in October 2017. The integration of these companies has proceeded ahead of plan and significant synergy savings have now been delivered with further savings expected across 2018. These acquisitions are an exciting development for Solar in that they build further scale on top of the existing technical capabilities whilst taking the customer base to over 2,000. The acquisition of disruptive technologies during 2016, was successfully rolled out over target areas of the Solar customer base during 2017, these innovative solutions are showing rapid growth trends, that Solar is confident will sustain the business's development over the next 5 years.

The shift of customers towards cloud-based solutions is very clear and Solar is at the forefront of leading this change for both our existing and target customer segments. Our sales force has been successful throughout the year and has shown itself to be capable of selling creative and innovative cloud-based solutions that transform our customers business's.

Significant contract wins included:

- A complex multi technology solution for a leading national charity;
- A mission critical platform for one of the best-known sports teams in the world;
- A cloud based UCaaS solution for a large corporate travel company.

SOLAR COMMUNICATIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

The company continues to develop the strong relationships it holds with some of the world's best in class suppliers. Solar won the prestigious ShoreTel 'deal of the year' for an innovative Cloud hosting solution whilst also being accredited Platinum partner status, the only such partner outside North America, and Partner Circle of Excellence award. Solar were also awarded Mitel Gold cloud service provider status, the Microsoft Silver Partner accreditation and Silver Peak Summit Partner during the year which further enhances the company's ability to implement innovative and 'cloud first' customer solutions.

The transformation of the efficiency and effectiveness of Solar's operations accelerated, with the implementation of ConnectWise Customer Relationship Management platform and HubSpot, an industry leading Marketing Automation solution, during the year. This reflects the growing sophistication of customer requirements and allows Solar to address these in a way that is more tightly integrated with the overall customer experience.

Service performance remained strong across the year and improved still further with the launch of the "MySolar" customer services portal during the 2nd quarter of 2017. Additionally, Solar gained the ISO 9001:2015 and 14001 accreditations which sit alongside the renewal of the previously gained ISO 27001 (which demonstrates Solar's commitment to comply with regulatory and contractual requirements regarding data security, privacy and IT governance, and the security of sensitive and confidential information) and the ISO 20000 (a global standard that describes the requirements for an information technology service management (ITSM) system). Management are proud of this external validation which shows that the business is well-controlled and improving continuously.

Cash has continued to be managed strongly at an operational level, although integration costs and investments in new contracts has reduced conversion levels. During the year the company, as planned, made £200k of debt repayment as well as funding the purchase of the acquisitions. Overall debt leverage levels are very low, and this provides a strong foundation to build the acquisition strategy on.

PRINCIPAL RISKS AND UNCERTAINTIES

The sale of 'on premise' telephone systems will continue to decline as the market moves towards a monthly, usage-based Cloud model. Traditional telephone calls are also changing as these are increasingly being delivered via data circuits in the form of voice over IP (VoIP), rather than BT's ISDN which BT has declared will be obsolete in 2025. Solar has already been successful in converting a substantial number of these legacy services in 2017.

There will be significant rationalisation amongst resellers over the coming years due to the impact of hosted telephony, the erosion of margin in traditional telephone calls and the complexity of providing solutions which are subject to the convergence of voice, data, fixed line and mobility. With an industry leading team and strong financial foundations, Solar is well placed to benefit from this consolidation through continued M&A.

Non-financial risks are monitored regularly by the board. The principal risks faced by the business together with how management mitigates these risks are set out below:

- Loss of business due to a fall in demand or current economic climate – the Directors review prospects and sales forecasts regularly;
- Loss of business due to poor customer retention – Solar places the highest value on its customer base and puts considerable efforts into continuous improvement in its after-sales customer care;
- Loss of suppliers - Solar maintains strong relationships with its suppliers and actively manages its supplier base;
- Loss of competitiveness due to key employee attrition – Solar works hard to retain key employees through employee surveys and engagement in follow-up actions, regular communications and career development;

SOLAR COMMUNICATIONS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

EMPLOYEES

Solar has a strong set of corporate values, that are part of our everyday working practices. The values reflect our history and our aspirations. These values are deeply embedded, and our selection, development, reward and performance management systems are aligned to encourage the growth of these values.

The employee base increased during the year through acquisitions, we also recruited tactically to reflect the evolution in the product set. This investment in people has looked at all levels of the business and we are proud to be initiating an apprentice scheme, from which we are confident we will soon be able to move our apprentices to substantive technical roles in the business, and we will continue to recruit entry-level trainees. We are proud to be classed within Best Companies to Work for, as "One to Watch".

The Group continues to consult and communicate with employees on customer, organisation and business performance issues, using employee memos, surveys, workshops and both formal and informal consultations with employee focus groups.

Our people gave generously of their time for local charitable work, through a scheme which allows employees time off for charity work. Several thousand pounds was donated to various charities as a result of employees' and the company's workplace fundraising. We are also excited to be partnering with Restless Development a charity that focuses on working with young people in Asia and Africa. As part of our involvement our employees will be volunteering and competing at several events during the year, and this will include taking the opportunity to send selected employees to work with the charity in Tanzania.

This report was approved by the board on 8th May 2018 and signed on its behalf.

A Marshall
Director



SOLAR COMMUNICATIONS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the sale, installation and support of fixed and mobile VoIP and data telecommunication equipment, system maintenance and network services.

RESULTS

The profit for the year, after taxation, amounted to £536,165 (2016: £411,223).

DIRECTORS

The directors who served during the year were:

J H Colquhoun
M Colquhoun
B L Marnham
J Whitty
A Marshall
J Millard

FUTURE DEVELOPMENTS

This year saw a marked step in the development of Solar with EBITDA growing as a result of the successful acquisition strategy as well as cost restructuring and focus on efficiency and supply chain management, all of this was delivered whilst undertaking considerable business transformation that was required in order to address the considerable growth opportunity presented at this time. The integrations of both the 2016 acquisitions has proceeded to plan, and management are confident that this will allow for a material increase in profitability in 2017 and beyond. Looking ahead, the company's pioneering and broad product portfolio should enable it to grow in line with the increasing demand for cloud-based unified communications services.

We are committed to transforming Solar into a leading cloud communications provider and have a very clear plan for growth which has at its core a continual focus on giving clients, unrivalled customer service backed up with innovative solutions and first class technical expertise. The Board remains excited and optimistic about Solar's future prospects.

MATTERS COVERED IN THE STRATEGIC REPORT

The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 requires a Strategic Report to be prepared. Where mandatory disclosures in the Directors' Report are considered by the directors to be of strategic importance these have been included within the Strategic Report rather than the Directors' Report.

DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

POST BALANCE SHEET EVENTS

There have been no significant events affecting the Company since the year end.

SOLAR COMMUNICATIONS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

AUDITORS

The auditors, Bishop Fleming Bath Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



A Marshall
Director

Date: 15 May 2018

Unit 1
Greenways Business Park
Bellinger Close
Chippenham
Wiltshire
SN14 0SQ

SOLAR COMMUNICATIONS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors are responsible for preparing the 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 judgments 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;
- 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.

SOLAR COMMUNICATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOLAR COMMUNICATIONS LIMITED

OPINION

We have audited the financial statements of Solar Communications Limited (the 'Company') for the year ended 31 December 2017, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

SOLAR COMMUNICATIONS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOLAR COMMUNICATIONS LIMITED (CONTINUED)

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the Information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' responsibilities statement on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

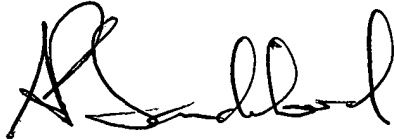
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

SOLAR COMMUNICATIONS LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF SOLAR COMMUNICATIONS LIMITED
(CONTINUED)**

USE OF OUR REPORT

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.



Andrew Sandiford BCom FCA (Senior statutory auditor)
for and on behalf of

Bishop Fleming Bath Limited

Chartered Accountants

Statutory Auditors

Minerva House

Lower Bristol Road

Bath

BA2 9ER

Date: 18 May 2018

SOLAR COMMUNICATIONS LIMITED**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £	2016 £
Turnover	4	12,569,385	12,094,073
Cost of sales		(6,244,030)	(5,944,522)
GROSS PROFIT		6,325,355	6,149,551
Administrative expenses		(5,425,448)	(5,343,905)
Exceptional administrative expenses	13	(470,238)	(535,620)
OPERATING PROFIT	5	429,669	270,026
Interest receivable and similar income	10	5,710	9,377
Interest payable and expenses	11	-	(5,261)
PROFIT BEFORE TAX		435,379	274,142
Tax on profit	12	100,786	137,081
PROFIT FOR THE FINANCIAL YEAR		536,165	411,223

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

The notes on pages 13 to 32 form part of these financial statements.

SOLAR COMMUNICATIONS LIMITED
REGISTERED NUMBER:02319958

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	As restated 2016 £
FIXED ASSETS			
Intangible assets	14	393,628	216,317
Tangible assets	15	174,711	139,642
		<u>568,339</u>	<u>355,959</u>
Debtors due after more than 1 year	17	775,271	14,178
CURRENT ASSETS			
Stocks	16	248,890	453,931
Debtors: amounts falling due within one year	17	9,258,947	5,825,627
Cash at bank and in hand	18	985,556	854,262
		<u>10,493,393</u>	<u>7,133,820</u>
Creditors: amounts falling due within one year	19	(7,554,301)	(4,535,419)
NET CURRENT ASSETS		<u>2,939,092</u>	<u>2,598,401</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,282,702</u>	<u>2,968,538</u>
Creditors: amounts falling due after more than one year	20	(1,063,737)	(309,194)
NET ASSETS		<u><u>3,218,965</u></u>	<u><u>2,659,344</u></u>
CAPITAL AND RESERVES			
Called up share capital	23	1,000	1,000
Share based payments reserve	24	323,456	-
Profit and loss account	24	2,894,509	2,658,344
		<u><u>3,218,965</u></u>	<u><u>2,659,344</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



A Marshall
Director

Date:

15 May 2018

The notes on pages 13 to 32 form part of these financial statements.

SOLAR COMMUNICATIONS LIMITED

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

	Called up share capital	Share based payments reserve	Profit and loss account	Total equity
	£	£	£	£
At 1 January 2017	1,000	-	2,658,344	2,659,344
Profit for the year	-	-	536,165	536,165
Share based payments movement	-	323,456	-	323,456
Dividends: Equity capital	-	-	(300,000)	(300,000)
AT 31 DECEMBER 2017	1,000	323,456	2,894,509	3,218,965

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2016	1,000	2,647,120	2,648,120
Profit for the year	-	411,223	411,223
Dividends: Equity capital	-	(399,999)	(399,999)
AT 31 DECEMBER 2016	1,000	2,658,344	2,659,344

The notes on pages 13 to 32 form part of these financial statements.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

1.2 FINANCIAL REPORTING STANDARD 102 - REDUCED DISCLOSURE EXEMPTIONS

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d).

This information is included in the consolidated financial statements of Solar Communications Group Limited as at 31 December 2017 and these financial statements may be obtained from companies house.

1.3 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Revenue is recognised on the following basis:

Call revenue is invoiced monthly in arrears and is recognised as accrued income in the preceding month.

Line revenue is invoiced monthly in advance and is recognised as deferred income in the month of invoice.

Maintenance service revenue is invoiced annually in advance and is recognised as deferred income and released to revenue over the period in which the maintenance service is delivered.

Hardware is invoiced in stages at order, delivery and installation. Revenue is deferred until installation is complete at which point the risks and rewards of ownership are considered to be transferred to the customer.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.4 INTANGIBLE ASSETS

GOODWILL

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of comprehensive income over its useful economic life.

OTHER INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Domain names	-	10 years
Software	-	3 years
Goodwill	-	10 - 15 years

1.5 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short term leasehold property	-	20% straight line
Plant and machinery	-	20% straight line
Motor vehicles	-	25% straight line
Fixtures and fittings	-	15% straight line
Computer equipment	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (continued)

1.6 LEASING AND HIRE PURCHASE

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amount payable to the lessor.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard to continue to be charged over the period to the first market rent review rather than the term of the lease.

1.7 OPERATING LEASES: THE COMPANY AS LESSEE

Rentals paid under operating leases are charged to the Statement of comprehensive income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 January 2016 to continue to be charged over the period to the first market rent review rather than the term of the lease.

The aggregate benefit of lease incentives are recognised as a reduction in expense recognised over the lease term on a straight line basis.

1.8 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.9 DEFERRED TAXATION

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

1.10 FOREIGN CURRENCY TRANSLATION

The company's functional and presentational currency is GBP.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

1.11 PENSIONS

DEFINED CONTRIBUTION PENSION PLAN

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

1.12 DEBTORS

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

1.13 CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1. ACCOUNTING POLICIES (continued)

1.14 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

1.15 CREDITORS

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

1.16 FINANCE COSTS

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.17 DIVIDENDS

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

1.18 SHARE BASED PAYMENTS

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Statement of comprehensive income over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of financial position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Statement of comprehensive income over the remaining vesting period.

Where equity instruments are granted to persons other than employees, the Statement of comprehensive income is charged with fair value of goods and services received.

1.19 INTEREST INCOME

Interest income is recognised in the Statement of comprehensive income using the effective interest method.

1.20 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. ACCOUNTING POLICIES (continued)

1.21 RESEARCH AND DEVELOPMENT

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

2. GENERAL INFORMATION

Solar Communications Limited is a limited liability company incorporated in the United Kingdom. The registered office is Unit 1, Greenways Business Park, Bellinger Close, Chippenham, SN15 1BN.

3. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements requires management to make significant judgments and estimates. The items in the financial statements where these judgments and estimates have been made include:

Revenue Recognition

The group recognises revenue in respect of services provided over the period in which they are provided, accruing and deferring where necessary. Revenue in respect of installation contracts is recognised upon final delivery. Cash in respect of installation contracts is typically received in three lump sums, but held on the Statement of Financial Position until the contract has been completed at which point it is released to the Income Statement.

Share based payment charge

The group recognises a share based payment charge on granted options where it is considered to be material to the financial statements and where those options are considered likely to vest.

4. TURNOVER

An analysis of turnover by class of business is as follows:

	2017 £	2016 £
Sales of goods	3,130,320	2,933,031
Rendering of services	9,439,065	9,161,042
	<u>12,569,385</u>	<u>12,094,073</u>

All turnover arose within the United Kingdom.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. OPERATING PROFIT

The operating profit is stated after charging:

	2017 £	2016 £
Depreciation of tangible fixed assets	73,844	58,582
Amortisation of intangible assets, including goodwill	73,752	35,732
Exchange differences	(1,244)	(38,183)
Defined contribution pension cost	82,922	76,505
Operating leases	90,788	101,795

6. AUDITORS' REMUNERATION

	2017 £	2016 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual accounts	16,900	13,950
Other services relating to taxation	1,900	1,900

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. EMPLOYEES

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	3,848,227	3,316,331
Social security costs	406,219	355,643
Cost of defined contribution scheme	82,922	76,505
	<u>4,337,368</u>	<u>3,748,479</u>

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

	2017 No.	2016 No.
Sales	22	18
Technical Support	36	32
Administration	17	13
Management	9	7
	<u>84</u>	<u>70</u>

Key management personnel

Key management personnel is deemed to be that of the directors, of which remuneration is disclosed in note 8.

8. DIRECTORS' REMUNERATION

	2017 £	2016 £
Directors' emoluments	419,581	471,480
Company contributions to defined contribution pension schemes	93,950	3,800
	<u>513,531</u>	<u>475,280</u>

During the year retirement benefits were accruing to 2 directors (2016: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £198,821 (2016: £150,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £86,950 (2016: £NIL).

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. SHARE BASED PAYMENTS

The company operates a share option scheme where certain employees of the group were issued a number of £0.01 ordinary 'B' equity-settled options in the company, subject to certain vesting conditions, including a change in control. The vesting conditions have not been met at the year end and these options expire between 2024 and 2026.

There were no new share options issued in the year.

The company has recognised the following movement in share options during the year:

	Weighted average exercise price (pence) 2017	Number 2017	Weighted average exercise price (pence) 2016	Number 2016
Outstanding at the beginning of the year	1632	23,387	963	15,816
Granted during the year		-	1367	29,829
Forfeited during the year	684	(294)	801	(22,258)
OUTSTANDING AT THE END OF THE YEAR	1644	23,093	1632	23,387

During the year, conditions have arisen such that it is now deemed likely that the options in existence at the year end will vest in the future. The company has recognised a share based payment charge and related reserve, the valuation of which has been calculated using the Black-Scholes pricing model with the following assumptions;

Weighted average contractual life:	Based upon the expected share option redemption date
Expected volatility:	50.0%
Expected dividend rate:	0%
Risk-free interest rate:	2.0%

Based upon these factors a share based payment charge has been recognised of £399,329. The company also recognised a deferred tax asset within the share based payments reserve as at the year end of £75,873 in relation to share options granted but not yet exercised.

10. INTEREST RECEIVABLE

	2017 £	2016 £
Other interest receivable	5,710	9,377

SOLAR COMMUNICATIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****11. INTEREST PAYABLE AND SIMILAR CHARGES**

	2017 £	2016 £
Bank interest payable	-	4,500
Finance leases and hire purchase contracts	-	761
	<u>-</u>	<u>5,261</u>

12. TAXATION

	2017 £	2016 £
CORPORATION TAX		
Current tax on profits for the year	75,487	87,099
Adjustments in respect of previous periods	(106,823)	(198,842)
TOTAL CURRENT TAX	<u>(31,336)</u>	<u>(111,743)</u>
DEFERRED TAX		
Origination and reversal of timing differences	6,009	(27,745)
Changes to tax rates	-	1,220
Deferred tax credit in relation to share based payments	(75,873)	-
Adjustments in respect of prior periods	414	1,187
TOTAL DEFERRED TAX	<u>(69,450)</u>	<u>(25,338)</u>
TAXATION ON LOSS ON ORDINARY ACTIVITIES	<u>(100,786)</u>	<u>(137,081)</u>

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is lower than (2016: lower than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	<u>435,379</u>	<u>274,142</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	81,400	54,828
EFFECTS OF:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	8,405	3,027
Income not taxable for tax purposes	-	(2,398)
Adjustments to tax charge in respect of prior periods	(106,823)	(198,842)
Other tax adjustments, reliefs and transfers	976	-
Additional deduction for R&D expenditure	(82,128)	-
Adjustments to tax charge in respect of previous periods - deferred tax	414	1,187
Adjust closing deferred tax to average rate of 19.25%	6,561	8,558
Adjust opening deferred tax to average rate of 19.25%	(6,354)	(2,441)
Group relief	(3,237)	(1,000)
TOTAL TAX CHARGE FOR THE YEAR	<u>(100,786)</u>	<u>(137,081)</u>

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

Reductions in the UK Corporation tax rate from 19% to 17% (effective 1 April 2020) was announced in the Budget on 22 November 2017.

13. ADMINISTRATIVE EXPENSES - RESTRUCTURING

	2017 £	2016 £
Restructuring costs	70,909	535,620
Share based payments charge	<u>399,329</u>	<u>-</u>
	<u>470,238</u>	<u>535,620</u>

Exceptional costs are in respect of staff restructuring activities taking place in the year.

See note 9 for further details of the share based payments charge.

SOLAR COMMUNICATIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****14. INTANGIBLE ASSETS**

	Domain names £	Software £	Goodwill £	Total £
COST				
At 1 January 2017	-	97,274	337,193	434,467
Additions	-	89,652	160,411	250,063
Acquired on group restructure	1,000	-	-	1,000
At 31 December 2017	1,000	186,926	497,604	685,530
AMORTISATION				
At 1 January 2017	-	9,672	208,478	218,150
Charge for the year	-	45,019	28,733	73,752
At 31 December 2017	-	54,691	237,211	291,902
NET BOOK VALUE				
At 31 December 2017	1,000	132,235	260,393	393,628
At 31 December 2016	-	87,602	128,715	216,317

SOLAR COMMUNICATIONS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. TANGIBLE FIXED ASSETS

	Short-term leasehold property £	Plant, machinery and fixtures £	Motor vehicles £	Computer equipment £	Total £
COST OR VALUATION					
At 1 January 2017	108,822	41,291	13,425	123,197	286,735
Additions	69,723	17,017	-	21,188	107,928
Transfers intra group	-	-	-	29,573	29,573
Disposals	(47,437)	(37,616)	(13,425)	(48,533)	(147,011)
At 31 December 2017	131,108	20,692	-	125,425	277,225
DEPRECIATION					
At 1 January 2017	63,806	33,419	2,517	47,351	147,093
Charge for the year on owned assets	16,623	7,118	3,077	47,026	73,844
Transfers intra group	-	-	-	20,757	20,757
Disposals	(47,437)	(37,616)	(5,594)	(48,533)	(139,180)
At 31 December 2017	32,992	2,921	-	66,601	102,514
NET BOOK VALUE					
At 31 December 2017	98,116	17,771	-	58,824	174,711
At 31 December 2016	45,016	7,872	10,908	75,846	139,642

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

16. STOCKS

	2017 £	2016 £
Finished goods and goods for resale	<u>248,890</u>	<u>453,931</u>

Stock recognised in cost of sales during the year as an expense was £1,848,780 (2016: £1,945,223).

An impairment charge of £Nil (2016: £2,062) was made to cost of sales in respect of slow-moving and obsolete stock during the year.

17. DEBTORS

	2017 £	As restated 2016 £
DUE AFTER MORE THAN ONE YEAR		
Prepayments and accrued income	<u>775,271</u>	<u>14,178</u>
	<u>775,271</u>	<u>14,178</u>

	2017 £	As restated 2016 £
DUE WITHIN ONE YEAR		
Trade debtors	2,574,195	1,609,607
Amounts owed by group undertakings	4,818,533	3,591,677
Other debtors	140,919	135,766
Prepayments and accrued income	1,683,230	440,084
Deferred taxation	42,070	48,493
	<u>9,258,947</u>	<u>5,825,627</u>

Included within other debtors due within one year are loans to directors, see note 31.

Amounts owed by group undertakings are repayable on demand, interest free and unsecured.

18. CASH AND CASH EQUIVALENTS

	2017 £	2016 £
Cash at bank and in hand	<u>985,556</u>	<u>854,262</u>

SOLAR COMMUNICATIONS LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017****19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £	As restated 2016 £
Trade creditors	1,094,354	1,024,533
Amounts owed to group undertakings	1,092,104	290,249
Corporation tax	116,209	-
Other taxation and social security	754,849	510,452
Other creditors	14,575	14,821
Accruals and deferred income	4,482,210	2,695,364
	<u>7,554,301</u>	<u>4,535,419</u>

Amounts owed by group undertakings are repayable on demand, interest free and unsecured.

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

	2017 £	As restated 2016 £
Accruals and deferred income	<u>1,063,737</u>	<u>309,194</u>

Secured loans

The company is subject to a cross guarantee representing a fixed and floating charge over all assets in respect of loans held in Solar Communications Group Limited, the ultimate parent company. The maximum exposure under this arrangement at 31 December 2017 is £550,000.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

21. FINANCIAL INSTRUMENTS

	2017 £	2016 £
FINANCIAL ASSETS		
Financial assets measured at fair value through profit or loss	985,556	854,262
Financial assets that are debt instruments measured at amortised cost	7,433,647	5,243,017
	<u>8,419,203</u>	<u>6,097,279</u>
FINANCIAL LIABILITIES		
Financial liabilities measured at amortised cost	(3,578,300)	(2,961,644)
	<u>(3,578,300)</u>	<u>(2,961,644)</u>

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed by group undertakings, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors and accruals.

22. DEFERRED TAXATION

	2017 £	2016 £
At beginning of year	48,493	23,155
Charged to the profit or loss	(6,423)	25,338
AT END OF YEAR	<u>42,070</u>	<u>48,493</u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	(10,257)	(4,192)
Short term timing differences	52,327	52,685
	<u>42,070</u>	<u>48,493</u>

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

23. SHARE CAPITAL

	2017 £	2016 £
ALLOTTED, CALLED UP AND FULLY PAID		
1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

24. RESERVES

Share based payments reserve

The share based payments reserve included all current and prior year share based payment charges recognised on share options schemes net of related deferred tax assets. See note 9 for further details.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses, all of which are considered distributable.

25. DIVIDENDS

	2017 £	2016 £
Dividends paid on equity capital	<u>300,000</u>	<u>399,999</u>

26. PRIOR YEAR ADJUSTMENT

The directors have opted to restate the classification of deferred income and deferred cost from under 1 year to over 1 year in relation to long term contracts within the 2016 comparative figures. This restatement had no effect on the the income statement for the 2016 year.

27. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £82,922 (2016: £76,705). Contributions totaling £11,653 (2016: £13,803) were payable to the fund at the reporting date.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

28. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	100,934	81,380
Later than 1 year and not later than 5 years	256,264	146,667
	<u>357,198</u>	<u>228,047</u>

29. TRANSACTIONS WITH DIRECTORS

At the year end there were outstanding directors loans of £95,000 (2016: £23,600) due from M Colquhoun and £5,000 (2016 £Nil) due from B L Marnham, these amounts are included in other debtors at year end.

30. DIRECTORS' PERSONAL GUARANTEES

M Colquhoun, a director, provided a £200,000 (2016: £200,000) personal guarantee in favour of Barclays plc, in respect of all borrowings and overdraft facilities.

31. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption in FRS 102 from the requirement to disclose transactions and balances with group companies.

	2017 £	2016 £
Outstanding loan from director	100,000	23,600
Interest on loan from director	-	4,500
Purchases from director	-	9,300
Purchases from company under common directorship	-	7,657
Amounts outstanding from company under common directorship	-	1,056

In addition to the above transactions 23,505 (2016: 23,505) share options in Solar Communications Group Limited have been granted to directors of which none (2016: 8,824) lapsed in the year. See note 9 for further details.

SOLAR COMMUNICATIONS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

32. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ultimate parent company is Solar Communications Group Limited, a company incorporated in the United Kingdom. The registered office is Unit 1, Greenways Business Park, Bellinger Close, Chippenham, SN15 1BN.

The largest and smallest parent in which the results of the company are consolidated is that headed by Solar Communications Group Limited. The consolidated accounts are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

The ultimate controlling party is M Colquhoun by virtue of his majority shareholding in Solar Communications Group Limited.