Ergo Computing UK Limited

Annual report and financial statements

Registered number 02555928

Year ended 30 June 2016

Contents

Strategic Report

The Directors present the Strategic Report and audited Financial Statements for the year ended 30 June 2016.

Principal activities

The principal activities of the Company are the provision of infrastructure services and comprehensive customer support supplemented by sales of I.T. hardware and software.

Business Model

The Company's focus is Education and Government sector based on the following business model;

- Strong relationships with major technology suppliers to provide quality components at optimum costs
- Best practice Infrastructure Services to provide reliable solutions that meet customer needs
- Delivery a strong proposition to customers which is a balance of quality, service and competitive pricing
- Responsive UK support to provide prompt customer service and technical support when needed

Markets are under continuous review as changes in technology can very quickly render offerings obsolete. A strength of Ergo is the ability to change the product offering very quickly in response to supplier product development, competitor offerings and customer needs.

Ergo employees are customer focussed, trained to ensure good knowledge levels and deliver an excellent customer experience.

The Brexit decision had no material impact on Ergo's performance.

Business Review and Results

Sales reduced by 18% to £8,430k (2015; £10,322k). This was due to increasing focus on Infrastructure Support activities and a conscious reduction in low margin hardware sales.

Loss before tax reduced by 42% to £944k, down from £1,641k in the previous reporting period.

The Directors are disappointed with the result. The turnaround plan is working as evidenced but is proving very slow to implement which is symptomatic of the sector. Further progress will be made in the next year and the Directors remain confident in meeting the strategic plan, although with some delays.

Ergo is focussed on delivering a clearly defined support and service offering with only limited volumes of hardware to support projects. The Management Team has clear focus and progress is continuing.

Basis of Preparation

We have reviewed the company funds to the end of the current financial year and considered the likely cash position of Ergo one year from now. The exercise included a review of the profit forecasts, cash generation and banking facilities available, including an Invoice Financing facility. Following due consideration we concluded that Ergo will continue in operational existence for the foreseeable future and so financial statements have been prepared on a going concern basis.

Principal Risks and Uncertainties

The Board of Directors have identified that principal risks and uncertainties facing the Company fall into four main headings. These are business continuity, people, economic conditions and financial.

Strategic Report *(Continued)*

Financial

The Company has a history of operating losses. A return to profitability will be driven by a sustained increase in the quality of earnings and control of overhead costs. This will be achieved by a dedicated management team with the appropriate skillsets to move the business forwards.

The Company manages cash very closely to ensure the going concern status remains intact. Underpinning the cash position is the parent company, VIP (Group) Ltd which supplies tangible support in the form of loans.

Company Directors have prepared a five year business plan including cash flow forecasts. Key assumptions are based on Sales and Margin levels which are managed daily by new reporting tools and reviewed formally against plan at the Company's management meetings.

Technology

The Company relies on its IT systems to provide Web Sites, e-commerce, core business applications and internal management tools.

Ergo utilise a combination of VIP group resources and specialist third parties to ensure all applications are fully supported. The hardware infrastructure is subject to a Directors' quarterly review to agree IT strategy which includes Business Recovery and the purchase, replacement and maintenance of major IT assets.

There are continuous reviews of IT security measures to ensure all log-ins, server access, anti-virus utilities and software versions are current and maintain appropriate levels of protection for the Company.

People

The Company recognise the importance and value of employees and seeks to ensure all staff are treated fairly and provided with good working conditions within a supportive culture. Employees' conditions of service are clearly laid out in the staff handbooks. Regular communications are made by staff briefings and meetings with employees being involved in decisions affecting their areas. Staff turnover levels have been too high and this is being addressed. The Directors believe that the risk to the business resulting from the loss of key employees is minimal.

Government policy and reliance on key customers

Government spending constraints can have a significant impact on the business. We aim to be responsive to the needs of current public sector customers by monitoring sector developments, identifying new needs and focussing on adding to the current customer base. There is also focus on diversifying the customer base to include more private sector businesses.

Key Performance Indicators

The Company's Management focus on several key measures to monitor and manage performance. Margin performance is reviewed at many levels from individual customers and products or services to regional and sector levels. This is compared to budgets and prior year performance.

The Company pays all creditors to terms to maintain continuity of supplies, assist in developing relationships and maintain reputation. To aid this creditor days are closely monitored.

To protect the Company's assets and build lasting relationships, whilst minimising risks, strict debtor KPI's are employed including the management and issue of discretionary credit limits and monitoring debtor days.

Mr J.S. Sahni
Director

4 Hardwick Grange
Woolston
Warrington
WA1 4RF

9 December 2016

Directors' report

The Directors present their report with the Financial Statements

Results and dividend

The Financial Statements report on the third period following acquisition by VIP Computer Centre Ltd. Sales reduced from £10.3m to £8.4m due to the focus away from low margin products. Whilst losses have significantly reduced the Directors remain focussed on returning to profit and strengthening the Balance Sheet.

Retained loss is £601k *(2015: £1,561k loss)* which is a reduction in loss of 61% from £960k. No dividends were made in the year.

Directors

The directors who held office during the reporting period were as follows:

Mr J S Sahni
Mr M A Taylor
Mrs L J Archer (appointed 1 July 2015)

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

Mr J.S Sahni
Director

4 Hardwick Grange
Woolston
Warrington
WA1 4RF
9 December 2016

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH
United Kingdom

Independent auditor's report to the members of Ergo Computing UK Limited

We have audited the financial statements of Ergo Computing UK Limited for the year ended 30 June 2016 set out on pages 7 to 18. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site 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 loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Ergo Computing UK 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.

Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
14/12/16

Profit and Loss Account
for year ended 30 June 2016

	Note	**2016** **£000**	2015 £000
Turnover	*2*	**8,430**	10,322
Cost of sales		**(7,460)**	(9,422)
Gross profit		**970**	900
Administrative expenses		**(1,905)**	(2,268)
Other operating income		**81**	56
Exceptional items		**-**	(273)
Operating loss		**(854)**	(1,585)
Interest payable and similar charges	*6*	**(90)**	(56)
Loss on ordinary activities before taxation		**(944)**	(1,641)
Tax on profit on ordinary activities	*7*	**343**	80
Loss for the financial year		**(601)**	(1,561)

All the above results relate to continuing activities.

Balance Sheet
at 30 June 2016

	Note	2016 £000	£000	2015 £000	£000
Fixed assets					
Tangible assets	*8*		**43**		69
			43		69
Current assets					
Stock	*9*	**3**		234	
Debtors	*10*	**1,103**		940	
Cash at bank and in hand		**92**		197	
		1,198		1,371	
Creditors: amounts falling due within one year	*11*	**(1,873)**		(1,926)	
Net current liabilities			**(675)**		(555)
Total assets less current liabilities			**(632)**		(486)
Creditors: amounts falling due after more than one year	*12*		**-**		(2,000)
Provision for liabilities			**(96)**		(191)
Net liabilities			**(728)**		(2,677)
Capital and reserves					
Called up share capital	*14*		**63**		63
Profit and loss account	*14*		**(3,341)**		(2,740)
Capital redemption reserve			**2,550**		-
Shareholders' deficit			**(728)**		(2,677)

These financial statements were approved by the board of directors on 9th December 2016 and were signed on its behalf by:

Mr J S Sahni
Director

Company registered number: 02555928

Notes
(forming part of the financial statements)

1 Accounting policies

Ergo Computing UK Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at transition date rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before transition date the Company continued to account for lease incentives under previous UK GAAP.

The Company's ultimate parent undertaking, VIP (Group) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of VIP (Group) Limited are available to the public and may be obtained from VIP House, 4 Hardwick Grange, Woolston, Warrington, WA1 4RF. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of VIP (Group) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The Company has net current liabilities and net liabilities at the year end. The Directors have obtained confirmation of support from the parent company, VIP (Group) Limited who have confirmed their support for at least 12 months from the date of signing the balance sheet.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 Tangible fixed assets

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

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Profit and Loss account on a straight line basis over the period of the lease.

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Short leasehold buildings	-	Over the term of the lease
Plant and machinery	-	15-33% on cost
Motor vehicles	-	25% on cost

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes *(continued)*

1 Accounting policies *(continued)*

1.6 Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software - 3 years

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less further costs to disposal. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

1.8 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Notes *(continued)*

1 Accounting policies *(continued)*

1.8 Impairment excluding stocks and deferred tax assets

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.9 Employee benefits

Defined contribution plans and other long term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.10 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

1.11 Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Turnover is recognised on the delivery of goods to customers, which is the point at which risk and rewards of ownership transfer.

1.12 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

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

1.14 Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2 Turnover

The turnover and loss before taxation are attributable to the one principal activity of the company.

3 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016	2015
	£000	£000
Depreciation – assets owned by the company	**(32)**	(32)
Gain on disposal of fixed assets	**1**	10
Operating lease rentals – land and buildings	**(129)**	(150)
Foreign exchange gain/(loss)	**45**	(13)
Auditor's remuneration:		
- Audit of these financial statements	**(19)**	(12)
- Non-audit services	**(4)**	(3)

Notes *(continued)*

4 Directors' remuneration

The directors' aggregate remuneration in respect of qualifying services were:

	2016	2015
	£000	£000
Remuneration receivable	-	177
Compensation for loss of office	-	110
	-	185

5 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Selling and distribution	**17**	33
Administration	**13**	11
	30	44

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**885**	1,423
Social security costs	**92**	153
Contributions to defined contribution plans	**35**	33
	1,012	1,609

6 Interest payable and similar charges

	2016	2015
	£000	£000
Bank interest	**90**	56

Notes *(continued)*

7 Taxation on profit of ordinary activities

Analysis of credit in year

	2016	2015
	£000	£000
UK corporation tax		
Current tax on income for the year	-	215
Group relief receivable	**188**	-
Adjustments in respect of prior years	**155**	-
Total current tax charge	**343**	215
Deferred tax (see note 3)	-	(135)
Tax credit on loss on ordinary activities	**343**	80

Factors affecting the tax charge for the current year

	2016	2015
	£000	£000
Current tax reconciliation		
Loss on ordinary activities before tax	**(944)**	(1,641)
Current tax at 20% (2015:20.75%)	**(188)**	(341)
Effects of:		
Expenses not deductible for tax purposes	-	1
Depreciation in excess of capital allowances	-	6
Unrelieved tax losses	-	118
Fixed asset differences	-	1
Group relief surrendered	**188**	-
(Receipt) for group relief	**(188)**	-
Adjustment in respect of prior periods	**(155)**	-
Origination and reversal of timing differences	-	135
Total current tax (credit) (see above)	**(343)**	(80)

Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce any future current tax charge accordingly.

Notes *(continued)*

8 Tangible fixed assets

	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost			
At beginning of period	180	51	231
Additions	5	-	5
Disposals	-	(17)	(17)
At end of period	**185**	**34**	**219**
Depreciation			
At beginning of period	112	49	161
Charge for year	30	2	32
Eliminated on disposal	-	(17)	(17)
At end of period	**142**	**34**	**176**
Net book value			
At 30 June 2016	**43**	**-**	**43**
At 30 June 2015	68	2	70

9 Stock

	2016	2015
	£000	£000
Raw materials and consumables	**-**	66
Finished goods	**3**	168
	3	234

10 Debtors: amounts falling due within one year

	2016 £000	2015 £000
Trade debtors	**745**	878
Amounts owed by group undertakings	**-**	10
Other taxes	**52**	-
Deferred tax assets	**189**	-
Prepayments and accrued income	**117**	52
	1,103	940

Notes *(continued)*

11 Creditors: amounts falling due within one year

	2016	2015
	£000	£000
Bank loans and overdrafts	**243**	630
Trade creditors	**544**	482
Amounts owed to group undertakings	**861**	637
Other taxation and social security	**-**	37
Other creditors and accruals	**225**	140
	1,873	1,926

Included within amounts owed to group undertakings is a loan of £62,500 *(2015: £97,000)*. The loan will be repaid by variable amounts and will be fully repaid by 30 June 2017. The loan attracts interest at 3% above the prevailing Bank of England base rate.

Included within bank loans and overdrafts as at 30 June 2016 is an overdraft totalling £242,879 which is secured against all of the assets of the VIP Group.

12 Creditors: amounts falling after more than one year

	2016	2015
	£000	£000
Amounts owed to group undertakings	**-**	2,000

13 Provisions for liabilities

	2016	2015
	£000	£000
Other provisions		
- Product warranties	**36**	71
- Settlement provision	**60**	120
	96	191

Notes *(continued)*

14 Capital and reserves

Share capital

	2016	2015
	£000	£000
Allotted, called up and fully paid		
50,000 Ordinary shares of £1 each	**50**	50
12,500 Ordinary B shares of £1 each	**13**	13
	63	63

Profit and loss account

	2016	2015
	£000	£000
At beginning of year	**(2,740)**	(1,179)
Loss for the financial year	**(601)**	(1,561)
At end of year	**(3,341)**	(2,740)

15 Operating lease commitments

At 30 June 2016 the company had the following annual operating lease commitments:-

	Land and buildings 2016	2015
	£000	£000
Expiring:		
Between one and five years	-	123
In more than five years	-	-
	-	123

16 FRS 102 Transition

This is the first year that the Company has prepared Financial Statements in accordance with FRS 102.

The accounting policies in Note 1 have been applied in preparing the Financial Statements for the year ended 30 June 2016, and the comparative information presented in these Financial Statements for the year ended 30 June 2015.

In preparing its FRS 102, SORP based Statement of Financial Position, the Company has not adjusted the amounts reported previously in Financial Statements prepared in accordance with its old basis of accounting. The transition to FRS 102 has resulted in no changes in the Company's financial position, financial performance and cash flows.