

**ERGO Computing (UK) Limited**

**Strategic report, Directors' report and financial statements**

**Registered Number 02555928 (England and Wales)**

**7 month period ended 30 June 2014**

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## **Company Information**

**DIRECTORS:**

Mr N M Bellamy  
Mr J S Sahni  
Mr M A Taylor

**SECRETARY:**

Mr J S Sahni

**REGISTERED OFFICE:**

Ergo House  
Mere Way  
Ruddington Fields Business Park  
Nottingham, NG11 6JS

**REGISTERED NUMBER:**

02555928 (England and Wales)

**AUDITOR:**

KPMG LLP  
Chartered Accountants  
Statutory Auditors  
8 Princes Parade  
Liverpool  
L3 1QH

## Strategic report

The Directors present their strategic report for the period ended 30 June 2014.

### Principal activities

The principal activities of the company in the period under review are the sale of computer hardware, infrastructure services and software, together with comprehensive customer support services.

### Sale of the Company

In October 2013, Ergo were approached by the Directors of VIP Computer Centre Limited, a well-established personal computer manufacturer and distributor of IT components, notebooks and peripherals, who expressed an interest in acquiring the company. This led to an agreement being signed, on 16 January 2014, bringing Ergo into the VIP Group. We are satisfied that this development is in the best interests of all Ergo's stakeholders. As part of a larger group, Ergo will significantly benefit from increased economies of scale as well as the accumulated expertise of the Group's management. This will allow Ergo's product range to become more competitive within its markets and to deliver higher sales volumes.

With this acquisition, Ergo is able to focus on responding to both customer and vendor needs whilst maintaining focus on the cost drivers within the business to optimise efficiency.

### Business Model

The Company's focus is the 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 manufacturing processes and testing to achieve low failure rates and provide reliable solutions
- Deliver a strong proposition to customers which is a balance of quality components, reliable build and competitive pricing
- Comprehensive Infrastructure Services provided by a highly trained team of specialists
- Responsive UK support to underpin the value of the brand and provide prompt customer service and technical support when needed

Markets are under continuous review as changes in technology can very quickly render offerings obsolete. Being UK based Ergo can change the product specification very quickly to respond to supplier component changes, competitor offerings and customer requirements.

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

Following acquisition the Directors will implement a new ERP system to provide a scalable platform with structured processes which will accommodate new employees and enhance the excellent service levels currently in place.

### Review and Results

Following acquisition by VIP Computer Centre Limited in January 2014, the Company has changed its year end to 30 June which is consistent with all other group companies. This has created a seven month reporting period.

Revenue declined by 37.5% to £3,032k on an annualised basis. The operating loss increased by 45% to £671,271 before exceptional costs, on an annualised basis. The losses were financed primarily by a run down in working capital, leaving a severely weakened balance sheet and net current liabilities of £948,383.

The results are disappointing and fall behind expectations at the time of acquisition. Post-acquisition sales realised were initially very low and the level of repair needed to the business was more than originally expected. In the six months following acquisition there has been a substantial review to turnaround the business. The actions from this review will continue into the next financial year. In the reporting period Ergo has recruited key personnel into commercial areas to increase market presence, sales performance and improve skill sets to better support customer requirements.

## **Strategic report** *(continued)*

Overhead expenses have been reduced and post year end Manufacturing, Warehousing, HR, Finance and Marketing activities have all been centralised to the Group Head Office in Warrington. We believe the cost benefits achieved will allow Ergo to compete at the right price point for quality hardware with knowledgeable support expertise.

Hardware is the core source of revenue. Infrastructure services (IS) currently account around 20% of revenue. The Directors are targeting revenue growth in both areas, but expect IS activities to increase at a faster rate and so be a larger share of revenue over the coming years.

Ergo will continue to operate in the Education and Government sectors. This is supported by BSI accreditations and framework approvals, such as the CCS (Crown Commercial Services) framework.

The Directors are fully committed to the current three year plan and expect a breakeven performance to June 2015 before moving into profit in the financial year to June 2016.

The financial position is also poor. There are limited banking facilities and so Ergo will need additional support from the parent company, VIP, in the short term. As part of the Ergo business review manufacturing and warehouse activities will move to Warrington. This means owned stock will be liquidated and thus cash generated, which will reduce working capital requirements and return the business to a satisfactory cash position.

### **Basis of preparation**

We have reviewed the company funds to the end of the current accounting period and considered the likely position of the company one year from now. In so doing, we have considered the likelihood of our profit forecasts being achieved and have been mindful of the need to maintain access to banking finance and the intentions of the new owner, VIP Computer Centre Limited, for its new subsidiary. In light of the information currently available to us, we have concluded that the company will continue in operational existence for the foreseeable future and, accordingly, continue to prepare our financial statements using the going concern basis.

### **Principal risks and uncertainties**

#### **Financial**

The company has a recent history of operating losses. A return to profitability will be achieved by increased sales driven by a much more competitive hardware offering and improved service expertise coupled with overhead cost efficiencies. The company carefully monitors costs and cash flow to ensure that the company is able to continue as a going concern. The cash position is re-enforced by the financial strength and support of the new parent company VIP Computer Centre Ltd. The Directors have prepared a business plan and cash flow forecast for the period to 2017. Its key assumptions are the level and timing of sales which are expected to increase significantly over this period and these are kept under review in regular management meetings.

#### **Technology**

The maintenance of up to date IT systems is vital across the company's operations. By serving our customers quickly and effectively, we simultaneously advertise our expertise. We employ our own in house team and maintain good relations with third party software suppliers to ensure all applications are fully supported. IT security is continuously monitored and contingency measure are in place, in addition to business interruption insurance, to ensure minimal disruption in the event of a crisis.

#### **Personnel and development**

The company's ability to manage its future development effectively requires continual improvements to its operations, financial and management controls, reporting systems and procedures, alongside effective training, motivation and management of its employees. We look to recruit, incentivise and retain high calibre personnel.

#### **Government policy and reliance on key customers**

The company maintains close relationships with a number of key customers but aims not to be overly dependent on any one of them. We have evolved into a recognised specialist supplying the education and defence sectors. Government spending constraints in these areas has inevitably impacted on us in recent years. We aim to be responsive to the needs of our public sector customers by keeping abreast of public policy developments in order to maintain our competitiveness, whilst looking to continue diversifying our customer base to include more private sector businesses.

## Strategic report *(continued)*


### Financial instrument and risk management

The company's financial assets and liabilities consist of trade debtors, trade creditors and cash balances. Exposure to financial risk is managed by insuring the debts of non-public sector customers and declining business that the underwriters are unwilling to cover, unless payment is received in advance.

Currency risk is restricted to short term settlement of trading balances with suppliers.

The company does not trade speculatively in derivatives or similar instruments.

On behalf of the board:



Mr J Sahni  
Director

Date: 19<sup>th</sup> December 2014

VIP House  
4 Hardwick Grange  
Woolston  
WA1 4RF

## Report of the Directors

The Directors present their report with the Financial Statements for the period ended 30 June 2014.

### Results and Dividend

The Financial Statements report on a seven month period of fundamental change during which Ergo was acquired by VIP Computer Centre Ltd.

A retained loss of £1,073k is reported for the period (2013: £832k). Of this loss £698k relates to pre-acquisition, including £519k of exceptional items.

No dividend will be distributed for the period ended 30 June 2014.

### Events since the end of the year

Information relating to events since the end of the period is given in the notes to the financial statements.

### Directors

Mr N M Bellamy has held office during the whole of the period from 1 December 2012 to the date of this report.

Other changes in directors holding office are as follows:

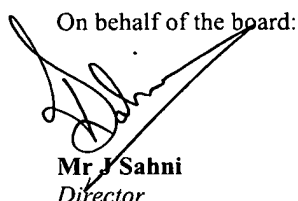
Mr J S Sahni and Mr M A Taylor were appointed as directors on 16th January 2014.

Mrs S R Bellamy, Mrs J Madden and Mr P A Madden ceased to be directors on 16th January 2014.

### Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2016) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board:



**Mr J Sahni**  
Director

Date: 19<sup>th</sup> DECEMBER 2014

VIP House  
4 Hardwick Grange  
Woolston  
WA1 4RF

## **Statement of Directors' Responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements**

The directors are responsible for preparing the Strategic report, 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 period. 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).

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; 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 LLP**

8 Princes Parade  
Liverpool  
L3 1QH

**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 7 month period ended 30 June 2014 set out on pages 9 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out 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. 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 website at [www.frc.org.uk/auditscopeukprivate](http://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 2014 and of its loss for the 7 month period 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 period 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**

In respect solely of the limitations of our work relating to the comparative information for the 7 month period ended 30 June 2014:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records had been kept for that period;

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:

- 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.



**Will Baker (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
Chartered Accountants  
8 Princes Parade  
Liverpool  
L3 1QH

<sup>19</sup>  
Date: December 2014

**Profit and Loss Account**  
*for the 7 months ended 30 June 2014*

		<b>7 months ended 30 June 2014</b>	<b>12 months ended 30 November 2013</b>
	<i>Notes</i>	<b>£</b>	<b>£</b>
<b>Turnover</b>	<b>2</b>	<b>3,032,514</b>	<b>8,313,804</b>
Cost of sales		<b>(2,383,055)</b>	<b>(6,605,982)</b>
<b>Gross profit</b>		<b>649,459</b>	<b>1,707,822</b>
Administrative expenses (including exceptional items of <b>£518,850</b> , 2013 : £nil)		<b>(1,855,013)</b>	<b>(2,600,831)</b>
Other operating income	<b>3</b>	<b>15,433</b>	<b>97,439</b>
<b>Operating loss</b>	<b>5</b>	<b>(1,190,121)</b>	<b>(795,570)</b>
Interest payable and similar charges	<b>6</b>	<b>(18,309)</b>	<b>(36,113)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(1,208,430)</b>	<b>(831,683)</b>
Tax on loss on ordinary activities	<b>7</b>	<b>135,000</b>	<b>-</b>
<b>Loss for the financial period</b>		<b>(1,073,430)</b>	<b>(831,683)</b>

All turnover and operating profits are derived from continuing operations.

The Company has no other recognised gains or losses for the current period or the prior year. Therefore a separate statement of Total Recognised Gains and Losses has not been presented.

The notes on pages 11 to 19 form part of these financial statements.

## Balance Sheet at 30 June 2014

	Notes	2014 £	2013 £
<b>Fixed assets</b>			
Tangible assets	8	81,444	407,836
<b>Current assets</b>			
Stocks	9	724,461	543,450
Debtors	10	1,041,887	711,392
Cash at bank and in hand		660	6,680
		<u>1,767,008</u>	<u>1,261,522</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(2,715,391)</u>	<u>(1,629,197)</u>
<b>Net current liabilities</b>		<u>(948,383)</u>	<u>(367,675)</u>
<b>Total assets less current liabilities</b>		<u>(866,939)</u>	<u>40,161</u>
<b>Provision for liabilities</b>	13	<u>(249,162)</u>	<u>(95,332)</u>
<b>Net liabilities</b>		<u>(1,116,101)</u>	<u>(55,171)</u>
<b>Capital and reserves</b>			
Called up share capital	15	62,500	50,000
Profit and loss account	16	(1,178,601)	(105,171)
<b>Shareholders' deficit</b>	19	<u>(1,116,101)</u>	<u>(55,171)</u>

These financial statements were approved by the Board of Directors on 19<sup>th</sup> DECEMBER 2014 and were signed on its behalf by:

  
Mr J Sahni  
Director

The notes on pages 11 to 19 form part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

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

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of VIP Computer Centre Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the Group. The consolidated financial statements of VIP Computer Centre Limited, within which this Company is included, can be obtained from the address given in note 18.

#### ***Going concern***

The financial statements have been prepared on the going concern basis which the directors believe to be appropriate for the following reasons. The company's parent VIP Computer Centre Limited has indicated that for at least 12 months from the date of approval of these financial statements it will continue to provide financial and other support to the company to enable it to meet its liabilities as and when they fall due.

The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment. As with any Company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this understanding, the directors consider it appropriate to prepare the financial statements on a going concern basis and as such they do not include any adjustments that would result from the basis of preparation being inappropriate.

#### ***Turnover and revenue recognition.***

Turnover represents net sales of goods and related services, excluding VAT. Revenue on hardware and perpetual software licences is recognised on delivery of the goods, provided that there are no unfulfilled obligations that are essential to the functionality of the delivered product. Revenue from installation, Consultancy and other services is recognised when the service has been provided.

#### ***Fixed assets and depreciation***

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

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

#### ***Stocks***

Stocks and work in progress are valued at the lower of cost and net realisable value, after making due allowance for obsolete or slow moving items.

#### ***Deferred tax***

Deferred tax liabilities are recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. Deferred tax assets are only recognised where their realisation is anticipated within a reasonable timeframe.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Foreign currencies*

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

#### *Pension costs and other post-retirement benefits*

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

#### *Product warranties and environmental recycling*

Provision is made for the estimated liability on all products still under warranty, including claims already received.

#### *Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Research and development*

In clearly defined circumstances, research and development expenditure is capitalised and amortised over its anticipated economic life. Other research and development expenditure is written-off in the period in which it is incurred.

### 2 Turnover

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

### 3 Other operating income

	7 months ended 30 June 2014 £	12 months ended 30 November 2013 £
Rents received	15,433	97,439

## Notes (continued)

### 4 Staff costs

	7 months ended 30 June 2014 £	12 months ended 30 November 2013 £
Wages and salaries	774,019	1,644,711
Social security costs	82,494	149,260
Other pension costs	20,791	45,058
	<u>877,304</u>	<u>1,839,029</u>

The average monthly number of employees during the period was as follows:

	7 months ended 30 June 2014	12 months ended 30 November 2013
Selling	32	28
Technical	12	15
Accounts and logistics	13	14
	<u>57</u>	<u>57</u>

Other pension costs include £nil (2013: £4,172) of accrued contributions.

### 5 Notes to the profit and loss account

The operating loss is stated after charging/crediting:

	7 months ended 30 June 2014 £	12 months ended 30 November 2013 £
Depreciation - owned assets	18,934	112,935
Loss on disposal of fixed assets	-	(12,100)
Auditor's remuneration	12,000	12,313
Amounts paid to auditor in respect of non-audit services	2,935	7,256
Operating lease rentals - land and buildings	70,100	231,778
Foreign exchange gain	(5,766)	(14,821)
	<u>62,012</u>	<u>176,332</u>
Directors' remuneration	-	2,511
Directors' pension contributions to money purchase schemes	-	-

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	-	1
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Exceptional costs were incurred in the period of £518,850, comprising a £171,000 increase in provisions against a future settlement payable to a supplier and a £347,850 write-off of leasehold improvements upon the termination of a lease agreement.

## Notes (continued)

### 6 Interest payable and similar charges

	7 months ended 30 June 2014 £	12 months ended 30 November 2013 £
Bank interest	18,309	36,113

### 7 Taxation

#### (a) Analysis of (credit)/charge in period:

	30 June 2014 £	30 November 2013 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior period	-	-
Total current tax (credit)/charge	-	-
Deferred tax (see note 13)	(135,000)	-
Tax on loss on ordinary activities	(135,000)	-

#### (b) Factors affecting the tax charge for the current period

The tax assessed on the loss on ordinary activities for the period is higher (2013: higher) than the standard rate of corporation tax in the UK of 22.14% (2013: 20%), as explained below:

	30 June 2014 £	30 November 2013 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(1,208,430)	(831,683)
Current tax at 22.14% (2013: 20%)	(267,546)	(166,337)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	3,754	536
Capital allowances in excess of depreciation	694	8,975
Adjustments to tax charge in respect of previous periods	-	-
Unrelieved tax losses	99,960	157,633
Other short term timing differences	6	-
Fixed asset differences	77,020	-
Timing differences relating to pension premiums	-	(807)
Group relief surrendered	86,112	-
Total current tax charge (see above)	-	-



## Notes (continued)

### 7 Taxation (continued)

#### c) Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 26% to 24% (effective from 1 April 2012) and to 23% (effective 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013.

It has not yet been possible to quantify the full anticipated effect of the announced further reductions, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

### 8 Tangible fixed assets

	Short leasehold £	Plant and machinery £	Motor vehicles £	Totals £
<b>Cost</b>				
At 1 December 2013	851,041	1,392,582	140,339	2,383,962
Additions	-	40,422	-	40,422
Disposals	(851,041)	(47,935)	(25,019)	(923,995)
<b>At 30 June 2014</b>	<b>-</b>	<b>1,385,069</b>	<b>115,320</b>	<b>1,500,389</b>
<b>Depreciation</b>				
At 1 December 2013	503,191	1,341,483	131,452	1,976,126
Charge for the period	-	16,341	2,593	18,934
Eliminated on disposal	(851,041)	(47,905)	(25,019)	(923,965)
Impairment charge	347,850	-	-	347,850
<b>At 30 June 2014</b>	<b>-</b>	<b>1,309,919</b>	<b>109,026</b>	<b>1,418,945</b>
<b>Net book value</b>				
<b>At 30 June 2014</b>	<b>-</b>	<b>75,150</b>	<b>6,294</b>	<b>81,444</b>
At 30 November 2013	347,850	51,099	8,887	407,836

An impairment has been made of £347,850 to leasehold improvements upon the termination of a lease agreement to reduce the balance to the lower of the carrying value and net realisable value.

### 9 Stocks

	2014 £	2013 £
Work-in-progress	-	-
Finished goods	724,461	543,450
	<b>724,461</b>	<b>543,450</b>

## Notes (continued)

### 10 Debtors: Amounts falling due within one year

	2014 £	2013 £
Trade debtors	842,790	644,707
Other debtors	-	5,000
Prepayments	64,097	61,685
Deferred tax asset (See note 14)	135,000	-
	<u>1,041,887</u>	<u>711,392</u>

### 11 Creditors: Amounts falling due within one year

	2014 £	2013 £
Bank loans and overdrafts (see note 12)	705,562	597,087
Trade creditors	931,540	770,957
Social security and other taxes	101,575	85,199
Directors' current accounts	-	10,584
Accrued expenses	91,850	165,370
Amounts owed to group undertakings	884,864	-
	<u>2,715,391</u>	<u>1,629,197</u>

Included within bank loans and overdrafts as at 30 June 2014 is £705,562 secured against all of the assets of the VIP Computer Centre Group.

### 12 Operating lease commitments

At 30 June 2014 the company had the following annual operating lease commitments:-

	Land and buildings	
	2014 £	2013 £
Expiring:		
Between one and five years	-	234,000
In more than five years	-	-
	<u>-</u>	<u>234,000</u>

## Notes (continued)

### 13 Provisions for liabilities

	2014 £	2013 £
Other provisions		
Product warranties	99,162	95,332
Settlement provision	150,000	-
	<u>249,162</u>	<u>95,332</u>
		<b>Warranty and settlements £</b>
Balance at 1 December 2013		95,332
Provided during period		174,830
Credit to profit and loss account during period		(21,000)
<b>Balance at 30 June 2014</b>		<u><u>249,162</u></u>

### 14 Deferred tax asset

	Deferred Taxation £
At start of the period	-
Credit to the profit and loss for the year (see note 6)	135,000
At end of the period	<u><u>135,000</u></u>

The elements of deferred taxation are as follows:

	2014 £	2013 £
Difference between accumulated depreciation and capital allowances	-	-
Tax losses	135,000	-
	<u><u>135,000</u></u>	<u><u>-</u></u>

## Notes (continued)

### 15 Called up share capital

**Allotted, issued and fully paid:**

Number:	Class:	Nominal value:	2014 £	2013 £
50,000	Ordinary £1 shares	1	50,000	50,000
12,500	Ordinary B £1 shares	1	12,500	-
			<u>62,500</u>	<u>50,000</u>

On 15 January 2014 12,500 Ordinary B shares were issued for consideration of £12,500. All shares rank pari pasu.

### 16 Reserves

	Profit and loss account £
At 1 December 2013	(105,171)
Loss for the period	(1,073,430)
At 30 June 2014	<u>(1,178,601)</u>

### 17 Related party disclosures

**Mr N M Bellamy**

Loan to company

Neil Bellamy provided finance to the company during the period through his directors' current account.

No interest was charged during the period.

	2014 £	2013 £
Amount due to related party at the balance sheet date	<u>-</u>	<u>152</u>

**Mr P A Madden**

Loan to company

Paul Madden provided finance to the company during the period through his directors' current account.

No interest was charged during the period.

	2014 £	2013 £
Amount due to related party at the balance sheet date	<u>-</u>	<u>10,432</u>

**Private Pensions - N M & S R Bellamy and P A Madden**

Trading premises were rented from directors' private pension funds:

Annual rental charged in the year £85,360.

## Notes (continued)

### 18 Ultimate controlling party

The Company is a subsidiary undertaking of VIP Computer Centre Limited a company incorporated in the UK. The smallest and largest Group in which the results of the Company are consolidated are those headed by VIP Computer Centre Limited.

No other Group financial statements include the results of the Company. The consolidated financial statements are available to the public and may be obtained from VIP House, 4 Hardwick Grange, Woolston, Warrington, WA1 4RF.

### 19 Reconciliation of movements in shareholders' deficit

	2014 £	2013 £
Loss for the financial period	(1,073,430)	(831,683)
Ordinary B shares issued	12,500	-
<b>Net reduction of shareholders' funds</b>	<b>(1,060,930)</b>	<b>(831,683)</b>
Opening shareholders' (deficit)/funds	(55,171)	776,512
<b>Closing shareholders' deficit</b>	<b>(1,116,101)</b>	<b>(55,171)</b>