

Infoserve Limited

Annual report and financial statements

Registered number 3867903

Year ended 31 March 2017

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Officers and Professional Advisers

The Board of Directors: D R Hood (Senior Non Executive Director)
A R Thirkill (Non Executive Chairman)
D I J Oliver (Chief Executive Officer)
D Firman (Operations Director)

Company Secretary: H M Stubbs

Registered Office: Infoserve Limited
South Side Aviation
Leeds Bradford International Airport
Leeds
LS19 7UG

Bankers: Barclays Bank plc
2nd Floor
1 Park Row
Leeds
BX3 2BB

Auditor: KPMG LLP
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

Legal Advisers: Blacks Solicitors LLP
Hanover House, 22 Clarendon Road
Leeds
LS2 9NZ

Strategic Report

Activities and review of the business

The Company's principal activity is the provision of online marketing services, specialising in pay per performance, mobile and local search marketing.

Having continued the process of transitioning the business structure and product offerings to a more sustainable footing, we report a profit for the year from continuing operations before exceptional items of £328k (2016: £186k). The market continues to be receptive and buoyant.

	2017 Continuing £000	2017 Exceptional £000	2017 Total £000	2016 Continuing £000	2016 Exceptional £000	2016 Total £000
Revenue	5,817	-	5,817	4,433	-	4,433
Cost of sales	(3,983)	-	(3,983)	(2,896)	-	(2,896)
Gross profit	1,834	-	1,834	1,537	-	1,537
Administrative expenses	(1,506)	(17)	(1,523)	(1,259)	(410)	(1,669)
Operating profit/(loss)	328	(17)	311	278	(410)	(132)
Financial expenses	-	-	-	(92)	-	(92)
Profit/(Loss) before tax	328	(17)	311	186	(410)	(224)
Taxation	-	-	-	-	-	-
Profit/(Loss) for the year attributable to the owners of the Company	328	(17)	311	186	(410)	(224)

Revenue

Revenue was £5.8m, 31% up on 2016 and it should be noted there has also been a decrease in deferred income to £1.3m (2016: £1.6m). The market for pay per performance continues to grow, with mobile search being a key driver.

Margins

Gross margin has decreased to 32% (2016: 35%) with increased sales of pay per performance products.

Results

We are pleased to announce an operating profit of £328k before exceptional items (2016: £278k). An exceptional item has been recorded to increase the onerous lease provision by £17k to £99k, based on the remaining period of the lease. In response to meeting our customer needs, further progress has been made in shifting our sales towards a pay per performance product.

Strategic Report (continued)

Activities and review of the business (continued)

Cash flow

The overall cash inflow in the year was £78k. During the financial year £150k was repaid to Mr D R Hood. A payment plan of £12,500 per month is in place and being met by the Company.

Financial key performance indicators (KPIs)

The following KPIs are part of the tools used by management to monitor the business performance:

	2017	2016	
Sales	£5.8m	£4.4m	
Gross profit margin	31.5%	34.7%	Gross profit/turnover
Continuing operating profit margin	5.6%	6.3%	Operating profit/turnover
Creditor days	43 days	31 days	Trade creditors/credit purchases
Performance per sales executive	£120,481	£95,482	Total media telesales revenue/average number of media telesales executives

Significant business developments

The Company maintained partnerships with both Google and Microsoft, which together with the ongoing exclusive agreement with Yahoo Local, uniquely positions the Company within the UK.

Deferred tax asset

The Board have decided to continue with the policy of not recognising the deferred tax asset as future growth and the timing of future profits remain uncertain.

Principal risks and uncertainties

The liquidity risk of the Company is managed centrally. Liquidity risk arises from the Company's management of working capital and the finance charges and principal payments on debt financing. It is the risk that the Company will have difficulty in meeting its financial obligations as they fall due. The Company currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans.

The Company finances its operations through its operating cash flow. There will be no future interest charged on loans from Mr D R Hood as a result of a waiver provided.

The Company monitors its fixed cost base and utilises the KPIs as illustrated above to assess its business performance.

Further details are contained in note 22.

The Company's operations expose it to a variety of financial risks that include the effects of changes in seasonal and economic patterns, which may affect the markets for the services the Company offers. The Company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the Company. Other risks include requirements for further funds, management of operational capacity, dependence on senior management and employees, recruitment risk, technology risk and partner and third party risk, which are considered below:

Requirements for further funds

There may be a requirement for the Company to raise further funds in the future in order to fully exploit opportunities available.

Strategic Report *(continued)*

Principal risks and uncertainties *(continued)*

Management of operational capacity

The Company's operational capacity has been realigned with sales demands and as such the Company has the ability to respond quickly to opportunities in a rapidly growing market.

Dependence on senior management and employees

The Company's results are dependent upon the performance and continued services of the Company's senior management and other key personnel.

Recruitment and retention

The Company's business is dependent on achieving sales through telephone sales personnel. Businesses that employ telephone sales personnel can experience a high rate of staff turnover, which can increase the costs of recruitment and training, however, current staff churn is low and within manageable levels.

Technology

The Company's business is dependent on various technologies it utilises in the creation and operation of its websites, the search facilities provided to its partners, the creation and maintenance of its data and in other areas of its operations.

The Company obtains the data for its business directories from third party suppliers, although the Company then maintains and updates this data through its own research and data collection, minimising any risk of data loss.

Partners and third parties

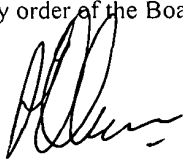
The Company's agreements with its partners are reliant on a certain level of performance, which is closely monitored by the Company. Changes by any of these search engines pose a significant risk to the Company. The Company's shift to pay per performance advertising has mitigated its risk to its reliance on search engine rankings within Google for its directories.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities and net current liabilities at the year end, which the directors believe to be appropriate.

Further details regarding going concern can be found in note 1 on page 14.

By order of the Board



Derek Oliver
Chief Executive Officer

Infoserve Limited
South Side Aviation
Leeds Bradford International Airport
Leeds
LS19 7UG

3rd November 2017

Directors' Report

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

Proposed dividend

The directors do not recommend the payment of a dividend (2016: £nil).

Directors

The directors who held office during the year were as follows:

D R Hood	(Senior Non Executive Director)
A R Thirkill	(Non Executive Chairman)
D I J Oliver	(Chief Executive Officer)
D Firman	(Operations Director)

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year.

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 necessary to make himself aware of any relevant audit information and to establish that the Company's auditors is aware of that information.

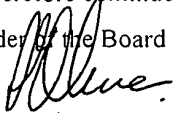
Other information

An indication of likely future developments in the business and particulars of significant events, which have occurred since the end of the financial year have been included in the Strategic Report on pages 2 to 4.

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


Derek Oliver
Chief Executive Officer

Infoserve Limited
South Side Aviation
Leeds Bradford International Airport
Leeds
LS19 7UG
3rd November 2017

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 year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU 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 judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; 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

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

Independent Auditor's report to the members of Infoserve Limited.

We have audited the financial statements of Infoserve Limited for the year ended 31 March 2017 set out on pages 9 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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.

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 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.
- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
3rd November 2017

Statement of Profit and Loss and Comprehensive Income
For the year ended 31 March 2017

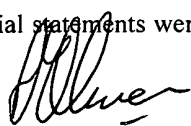
		2017	2017	2017	2016	2016	2016
		Continuing	Exceptional	Total	Continuing	Exceptional	Total
		£000	£000	£000	£000	£000	£000
	<i>Notes</i>						
Revenue	2	5,817	-	5,817	4,433	-	4,433
Cost of sales		(3,983)	-	(3,983)	(2,896)	-	(2,896)
Gross profit		1,834	-	1,834	1,537	-	1,537
Administrative expenses	3	(1,506)	(17)	(1,523)	(1,259)	(410)	(1,669)
Operating profit/(loss)		328	(17)	311	278	(410)	(132)
Financial expenses	6	-	-	-	(92)	-	(92)
Profit/(Loss) before tax		328	(17)	311	186	(410)	(224)
Taxation	7	-	-	-	-	-	-
Profit/(Loss) for the year attributable to the owners of the Company		328	(17)	311	186	(410)	(224)

The Company has no other comprehensive income for the current or prior year.
The notes on pages 13 to 41 form part of these consolidated financial statements.

Balance Sheet
At 31 March 2017

	<i>Notes</i>	2017 £000	2016 £000
Non-current assets			
Property, plant and equipment	9	57	66
Intangible assets	10	446	456
Other investment	11	107	107
Other receivables	13	45	-
		<hr/> 655	<hr/> 629
Current assets			
Trade and other receivables	13	193	215
Cash and cash equivalents	14	471	393
		<hr/> 664	<hr/> 608
Total assets		<hr/> 1,319 <hr/>	<hr/> 1,237 <hr/>
Current liabilities			
Interest-bearing loans and borrowings	15	(4,921)	(4,956)
Trade and other payables	16	(2,284)	(2,343)
		<hr/> (7,205)	<hr/> (7,299)
Non-current liabilities			
Interest-bearing loans and borrowings	15	(1,087)	(1,018)
Trade and other payables	16	(6)	(8)
Provisions	18	(99)	(82)
		<hr/> (1,192)	<hr/> (1,108)
Total liabilities		<hr/> (8,397) <hr/>	<hr/> (8,407) <hr/>
Net liabilities		<hr/> (7,078) <hr/>	<hr/> (7,170) <hr/>
Equity attributable to equity holders of the Parent			
Share capital	19	286	286
Capital Contribution Reserve	19	1,002	1,221
Retained earnings	19	(8,366)	(8,677)
		<hr/> (7,078)	<hr/> (7,170)
Total equity		<hr/> (7,078) <hr/>	<hr/> (7,170) <hr/>

These financial statements were approved by the Board of Directors on 3rd November 2017 and were signed on its behalf by:


Derek Oliver
 Chief Executive Officer
 Company Registered Number 05750143

The notes on pages 13 to 41 form part of these consolidated financial statements.

Statement of Cash Flows
For the year ended 31 March 2017

	<i>Note</i>	2017 £000	2016 £000
Cash flows from operating activities			
Profit for the year		311	(224)
<i>Adjustments for:</i>			
Depreciation	<i>9</i>	20	30
Amortisation	<i>10</i>	43	51
Impairment of intangible	<i>10</i>	-	462
Financial expense	<i>6</i>	-	92
		<hr/>	<hr/>
		374	411
(Increase) in trade and other receivables		(23)	(106)
Increase/(decrease) in trade and other payables		(94)	188
Increase in provisions		17	(51)
(Decrease) in deferred government grant		(2)	(2)
		<hr/>	<hr/>
Net cash from operating activities		272	440
		<hr/>	<hr/>
Cash flows from investing activities			
Acquisition of property, plant and equipment	<i>9</i>	(11)	(8)
Acquisition of other intangible assets	<i>10</i>	(33)	(201)
Acquisition of investment	<i>11</i>	-	(9)
		<hr/>	<hr/>
Net cash from investing activities		(44)	(218)
		<hr/>	<hr/>
Cash flows from financing activities			
Repayment of loans	<i>15</i>	(150)	(300)
Loan Drawdown		-	-
		<hr/>	<hr/>
Net cash from financing activities		(150)	(300)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		78	(78)
Cash and cash equivalents at 1 April		393	471
		<hr/>	<hr/>
Cash and cash equivalents at 31 March	<i>14</i>	471	393
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 41 form part of these consolidated financial statements.

Statement of Changes in Equity
For the year ended 31 March 2017

	Capital Contribution	Share capital £000	Retained earnings £000	Total Equity £000
Balance at 31 March 2015	-	286	(8,453)	(8,167)
Balance at 1 April 2015	-	286	(8,453)	(8,167)
Total comprehensive income for the year: Loss for the financial year attributable to equity shareholders of the Company	-	-	(224)	(224)
Total comprehensive income for the year	-	-	(224)	(224)
Transactions with owners recorded directly in equity: Contribution by owner	1,221	-	-	1,221
Total contributions by and distributions to owners	1,221	-	-	1,221
Balance at 31 March 2016	1,221	286	(8,677)	(7,170)
Balance at 1 April 2016	1,221	286	(8,677)	(7,170)
Total comprehensive income for the year: Profit for the financial year attributable to equity shareholders of the Company	-	-	311	311
Total comprehensive income for the year	-	-	311	311
Total contributions by and distributions to owners	(219)	-	-	(219)
Balance at 31 March 2017	1,002	286	(8,366)	(7,078)

The notes on pages 13 to 41 form part of these consolidated financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Infoserve Limited (the “Company”) is a company domiciled in the UK. The address of the Company’s registered office is South Side Aviation, Leeds Bradford International Airport, Leeds, LS19 7UG.

These financial statements present information about the Company as an individual undertaking and its interest in jointly controlled entities and not about its Group.

The Company financial statements have been prepared and approved by the directors in accordance with International Financial Reporting Standards as adopted by the EU (“Adopted IFRSs”).

The Company is exempt by virtue of paragraph 4 of IFRS 10 from preparing consolidated financial statements.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 1.

Adopted IFRS not yet applied

The following Adopted IFRSs have been issued but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

- IFRS 9 Financial Instruments (effective date 1 January 2018).
- IFRS 15 Revenue from Contract with Customers (effective date 1 January 2018).
- IFRS 16 Leases (effective date to be confirmed).
- Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses (effective date to be confirmed).
- Amendments to IAS 7: Disclosure Initiative (effective date to be confirmed).
- Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (effective date to be confirmed).
- Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective date to be confirmed).

The adoption of IFRS 15 and IFRS 16 may have an impact on the financial statements, when introduced, however it is not practicable to provide a reasonable estimate of the effect of IFRS 15 and IFRS 16 until a detailed review has been completed.

Notes (continued)

1 Accounting policies (continued)

Measurement convention

The financial statements are prepared on the historical cost basis, except for interest-bearing borrowings.

Going concern

The financial statements have been prepared on a going concern basis, notwithstanding the net liabilities and net current liabilities, which the directors believe to be appropriate for the following reasons:-

The Company meets its day to day working capital requirements through its current account. The Company continues to operate within its available funds.

The Company has had no further loans from Mr D R Hood, a controlling shareholder and director and there is no further interest to be charged. In the financial year the Company made loan repayments of £150k and from April 2017, monthly repayments continued of £12.5k per month. The Company also continues to benefit from a temporary rent free period agreed with one of its landlords, Amerdale Investments LLP of which Mr D R Hood is the majority partner, although rates, service charge and insurance are paid.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on page 5. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the activities and review of the business on pages 2 to 4. In addition, notes 1 and 26 to the financial statements include the Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk.

As described in the Strategic Report on pages 2 to 4, the current economic environment continues to be challenging and the directors believe that the general economic conditions create some uncertainties over future trading results and cash flows. The directors have prepared sensitised cash flow forecasts for the period to September 2018. The sensitised forecasts allow for a 10% reduction in sales from the operational plan for twelve months to September 2018 continuing at a similar sensitised gross margin to March 2019, meeting maintenance capital expenditure as it falls due. On the basis of these forecasts the Company is expected to continue to operate within current funding arrangements for at least the next twelve months from the date of these financial statements.

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated 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 translated at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Functional currency

These financial statements are presented in sterling, which is the Company's functional currency. All financial information presented in sterling has been rounded to the nearest thousand.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as distributions and are recorded directly in equity.

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives are as follows:

- | | |
|--------------------------|---------------------------------|
| • leasehold improvements | • over the life of the lease |
| • office equipment | • 20% per annum straight line |
| • computer equipment | • 33.3% per annum straight line |

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

Intangible assets

Identifiable intangibles are those which can be sold separately or which arise from legal rights regardless of whether those rights are separable.

Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Company intends, has the technical ability and has sufficient resources to complete development and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

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

Amortisation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful life of the intangible asset. Other intangible assets are amortised from the date they are available for use. Intangible assets are systematically tested for impairment at each balance sheet date. The estimated useful lives are as follows:

- | | |
|-----------------------------|---|
| • core data costs | indefinite life - continually updated and reviewed annually |
| • data refreshes | 1 year |
| • data management system | 3 years |
| • website development costs | 3 years |

The Company's main source of income is via outbound telesales to small and medium sized entities ("SMEs"). As such, owning and updating, as complete as possible, the Company's data set of UK businesses, with associated intelligence on that business, is critical to our performance. The Company's data asset is made up of initial purchases (core data) and ongoing refreshes and maintenance of this data.

'Core data' includes the initial external costs including raw data, database structure developments, taxonomy enhancements and keyword associations. The initial expenditure and development of business records, associated database structure, extensive keyword and key phrase associations occurred has a net book value of £440k as at 31 March 2017 (2016: £440k).

This data is kept up to date monthly. The total costs of the data provider in providing this maintenance is capitalised and fully amortised in the same financial year. This cost is to enable our core data to be kept as up to date as possible.

Data and associated taxonomy is a fundamental ingredient to both the supply and sale of the Company's online business directories. As such, the Company expects to use this asset for as long as it continues in its core business.

Notes (continued)

1 Accounting policies (continued)

The Company owns the asset indefinitely and believes the future costs of maintaining the asset to be sustainable. For these reasons the Company deem its core data asset to have an indefinite useful life, foreseeing no limit to the period over which the benefit from the asset will be received.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents, loans and borrowings and trade and other payables.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Investments in equity securities

Investments in subsidiaries are carried at cost less impairment in the Parent Company financial statements.

Cash and cash equivalents

Cash and cash equivalents comprises only of cash balances.

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Borrowings from Mr D R Hood no longer accrue interest, this applied from 1st April 2016. As such the loans have been restated to fair value.

Impairment excluding deferred tax assets

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that are not yet available for use, or have indefinite useful lives, the recoverable amount is estimated each year at the same time.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Calculation of recoverable amount

The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Notes *(continued)*

1 **Accounting policies** *(continued)*

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. 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 an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Government grants

Government grants are recognised initially as deferred income when there is reasonable assurance that they will be received and that the Company will comply with the conditions associated with the grant. Grants that compensate the Company for expenses incurred are recognised in profit or loss on a systematic basis in the same periods in which their expenses are recognised. Grants that compensate the Company for the costs of an asset are recognised in profit or loss on a systematic basis over the useful life of the asset.

Employee benefits

Defined contribution plans

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 statement of comprehensive income as incurred.

Share-based payment transactions

Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Company.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Where the Company grants share-based payment awards over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity.

Where the Company grants rights to its Parent's equity instruments to the Company's or the Company's employees, the Company or the Company, as the case may be, account for these share-based payments as cash-settled.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes (continued)

1 Accounting policies (continued)

Provisions

A provision is recognised in the statement of financial position when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk adjusted, future cash flows at a pre-tax risk-free rate.

Provisions are made for onerous leases where property is vacant. A provision is recognised for the best estimate of the unavoidable lease payments reduced by the estimated sublease rentals that the Company reasonably expects to generate.

Revenue

Revenue represents the amounts derived from the provision of services during the year stated net of Value Added Tax. Revenue is recognised on a gross basis, this requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Within the 'suite' of web based advertising products, the Company offers customers both one off advertising products and longer term advertising, whilst often sold in combination, these products require different accounting treatments.

Revenue includes income related to term advertising that is invoiced in advance at the inception of the agreement. It is the Company's policy to recognise the revenue evenly over the agreed term. Revenue generated from the construction of websites is recognised once the work has been completed.

Where products are sold in bundles, the revenue is allocated according to the relative internal list price less an even allocation of any discounts given from the list prices.

Segment reporting - An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are reviewed regularly by the Chief Operating Decision Maker ("CODM") to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available (see note 2).

Expenses

Operating lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Financing income and expenses

Financing expenses comprises of interest payable, finance charges on shares classified as liabilities and finance leases, unwinding of the discount on provisions and net foreign exchange losses that are recognised in the statement of comprehensive income (see foreign currency accounting policy). Financing income comprises of interest receivable on funds invested, dividend income and net foreign exchange gains.

Interest income and interest payable is recognised in the profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the statement of comprehensive income on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Taxation

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

Current tax is the expected tax payable on the taxable income 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.

Notes (continued)

1 Accounting policies (continued)

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. Whilst some outcomes have been affected by the volatility in the financial markets, all judgements and assumptions in the accounting policies remain consistent with previous years.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Consideration of impairment to the carrying values of assets has been made and we concluded that the individual carrying values reported of intangible and other operating assets are supportable by value in use. The carrying values of intangibles relate mainly to the Company's database and data management systems and as such are core to the Company's operations. The Company has used forecasted earning streams to justify the carrying values of the assets and the directors have considered reasonable downsized forecasts.
- The impact of the current economic conditions on the assessment of going concern has been considered.
- Note 9 and Note 10 – Property, plant and equipment and Intangible assets. Depreciation/amortisation is provided so as to write down the assets to their residual values over their estimated useful lives as set out in the accounting policies for property, plant and equipment and intangible assets. The selection of these residual values and estimated lives requires the exercise of judgement. The Company is required to assess whether there is indication of impairment to the carrying value of assets. In making that assessment, judgements are made in estimating value in use. The directors consider that the individual carrying values of assets are supportable by value in use.
- Note 16 - Deferred income. Relates to sales invoiced for which the revenue has yet to be recognised. These are recognised over the life of the agreement with the customer.
- Note 17 - Measurement of share-based payments. The fair value of employee share options is measured using the Black Scholes model.
- Note 18 - Provisions and contingencies (onerous leases). The estimate of excess charges due to non-utilisation of property. This provision is an estimate based on the condition of the property and local market conditions. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

Notes (continued)

2 Segmental information

The Board is regarded as the CODM (Chief Operating Decision Maker) and sees the Company as offering a 'suite' of web based advertising products. While there are differing products/services, often these are sold in varying bundles according to customer requirements, accordingly the Board allocates resources with the view that the Company is a 'one-stop shop' for web based advertising and for this reason the Board has concluded that the Company has one reportable segment. The turnover, operating profit and net liabilities of the Company are all attributable to the one class of business.

A geographical analysis of turnover is given below:

	2017 £000	2016 £000
United Kingdom	5,806	4,426
Channel Islands	4	7
Europe	7	-
	<hr/> 5,817 <hr/>	<hr/> 4,433 <hr/>

3 Expenses and auditor's remuneration

Included in the profit/(loss) for the year are the following:

	2017 £000	2016 £000
Amortisation of intangible assets	43	51
Depreciation of property, plant and equipment – owned assets	20	30
Operating lease costs – land and buildings	12	16
Release of government grant	(2)	(2)

Notes (continued)

3 Expenses and auditor's remuneration (continued)

Included in the exceptional items for the year are the following:

	2017 £000	2016 £000
Onerous lease movement	(17)	51
Impairment of intangible	-	(461)
	<u>(17)</u>	<u>(410)</u>

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	8	7
Other services pursuant to such legislation	1	1
Other services relating to taxation	3	3

Amounts paid to the Company's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4 Staff numbers and costs

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

	2017 £000	2016 £000
Telesales and support	57	59
Head office	31	31
	<u>88</u>	<u>90</u>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	2,492	2,254
Social security costs	251	228
Other pension costs	16	16
	<u>2,759</u>	<u>2,498</u>

Notes *(continued)*

5 Directors' remuneration

	2017	2016
	£000	£000
Directors' remuneration	187	208

6 Financial income and expenses

	2017	2016
	£000	£000
Interest payable on loans and borrowings	-	87
Interest on shares classified as a liability	-	5
Financial expenses	-	92

Notes (continued)

7 Taxation

Reconciliation of effective tax rate

	2017 £000	2016 £000
Profit/(Loss) for the year	311	(224)
Total tax expense	-	-
Profit/(Loss) excluding taxation	311	(224)
Tax using the UK corporation tax rate of 20% (2016: 20%)	62	(45)
Non deductible expenses	-	6
Effect of tax losses not recognised	-	23
Utilisation of tax losses	(135)	16
Rate changes	73	-
Total tax expense	-	-

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020 and a further reduction to 17% (effective 1 April 2020) substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 March 2017 has been calculated based on the rate of 17% substantively enacted at the balance sheet date.

No current or deferred tax has been credited or charged direct to equity or in the statement of comprehensive income.

8 Dividends

The directors propose no dividend to be paid for the year (2016: £nil).

Notes (continued)

9 Property, plant and equipment

	Land and buildings £000	Plant and equipment £000	Total £000
Cost			
Balance at 1 April 2015	156	666	822
Additions	-	8	8
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	156	674	830
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2016	156	674	830
Additions	-	11	11
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	156	685	841
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 1 April 2015	88	646	734
Depreciation charge for the year	15	15	30
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	103	661	764
	<hr/>	<hr/>	<hr/>
Balance at 1 April 2016	103	661	764
Depreciation charge for the year	11	9	20
	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	114	670	784
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 March 2015 and 1 April 2015	68	20	88
	<hr/>	<hr/>	<hr/>
At 31 March 2016	53	13	66
	<hr/>	<hr/>	<hr/>
At 31 March 2017	42	15	57
	<hr/>	<hr/>	<hr/>

Refer to note 17 for information on grants received to fund a portion of the plant and equipment additions in the current year.

Notes (continued)

10 Intangible assets

	Core data costs £000	Website development costs £000	Data management system £000	Total £000
Cost				
Balance at 1 April 2015	1,057	980	119	2,156
Additions	33	161	7	201
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	1,090	1,141	126	2,357
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 2016	1,090	1,141	126	2,357
Additions	33	-	-	33
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	1,123	1,141	126	2,390
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation and Impairment				
Balance at 1 April 2015	617	662	109	1,388
Amortisation for the year	33	10	8	51
Impairment	-	462	-	462
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2016	650	1,134	117	1,901
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 April 2016	650	1,134	117	1,901
Amortisation for the year	33	4	6	43
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 March 2017	683	1,138	123	1,944
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2015 and 1 April 2015	440	318	10	768
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2016	440	7	9	456
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	440	3	3	446
	<hr/>	<hr/>	<hr/>	<hr/>

Amortisation charge:

The amortisation charge is recognised in the following line items in the statement of comprehensive income:

	2017 £000	2016 £000
Cost of sales	43	51
	<hr/>	<hr/>

Notes (continued)

10 Intangible assets (continued)

Indefinite life intangible assets considered significant in comparison to the Company's total carrying amount of such assets have been allocated to cash generating units or groups of cash generating units as follows:

	2017 £000	2016 £000
Data Costs	440	440

Impairment testing:

At 31 March 2017, the Company's intangible assets were tested for impairment.

The recoverable amount of the intangible assets are determined from value in use calculations. The key assumptions are those regarding discount and growth rates. Growth rates incorporate anticipated volume and direct cost changes. Management used pre-tax discount factors of 15% (2016: 15%) over the forecast period.

When performing the impairment review the growth rates contained in the first year in the management approved forecasts show 4% growth. This analysis took into account external views of the market and the current economic environment.

At the beginning and end of the financial period the value in use of the remaining intangible assets exceeded their book value and therefore no impairment was required.

The recoverable amount of the core data asset has been calculated with reference to its value in use. The key assumptions of this calculation are shown below:

	2017	2016
Period on which management approved forecasts are based	2 years	2 years
Growth rate applied beyond approved forecast period	3%	3%
Discount rate	15%	15%

Notes (continued)

11 Other non-current investment

Company name	Incorporated	Investment £000	%
Boundless Networks	UK	107	15

On 29 April 2014 Infoserve Limited acquired 150 shares for £75,000 in LN Communications Limited (now Boundless Networks Limited) and on 4 December 2014 the company acquired a further 300 shares for £22,500. In September 2015 Infoserve Limited acquired a further 1,800 shares for £9,000 to maintain the Company's 15% investment.

12 Deferred tax assets

Unrecognised deferred tax asset.

Deferred tax assets have not been recognised in respect of the following items:

	2017 £000	2016 £000
Tax losses	1,399	1,757

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future, against which the reversal of temporary differences can be deducted.

Recognition, therefore, involves judgement regarding the future financial performance of the legal entity in which the deferred tax asset has been recognised.

The directors have considered current trading results and reviewed detailed budgets and projections for the next two accounting periods. Their review of this information has been used to assess whether these timing differences will reverse or be utilised with sufficient certainty in the foreseeable future. The decision to continue not to recognise a deferred tax asset was reached, as the Board do not consider there to be sufficient certainty that these amounts will be used in the next two to three years.

Notes (continued)

13 Trade and other receivables

	2017 £000	2016 £000
Trade receivables	80	108
Prepayments and accrued income	111	106
Other receivables	2	1
	<hr/>	<hr/>
Current Assets	193	215
	<hr/> <hr/>	<hr/> <hr/>
Amount owed by related undertaking	45	-
	<hr/>	<hr/>
Non-Current Assets	45	-
	<hr/> <hr/>	<hr/> <hr/>

Amounts owed by related undertaking are payable on demand and do not accrue interest.

14 Cash and cash equivalents

	2017 £000	2016 £000
Cash and cash equivalents per statement of financial position	471	393
	<hr/>	<hr/>
Cash and cash equivalents per cash flow statement	471	393
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Loans and borrowings

This note provides information about the contractual terms of the Company's interest-bearing loans and borrowings. For more information about the Company's exposure to interest rate risk and market price risk, see note 22.

	2017 £000	2016 £000
Non-current liabilities		
D R Hood loan account	1,087	1,018
	<u>1,087</u>	<u>1,018</u>
Current liabilities		
Current portion of D R Hood loan account	150	150
Amounts owed to Group undertakings	4,771	4,806
	<u>4,921</u>	<u>4,956</u>

The Company has agreed to continue loan repayments to Mr D R Hood of £12,500 per month.

Terms and debt repayment schedule:

	Currency	Year of maturity	Fair value 2017 £000	Carrying amount 2017 £000	Fair value 2016 £000	Carrying amount 2016 £000
D R Hood loan	£	2024/2023 /2025	1,237	1,237	1,168	1,168
Amounts owed to Group undertakings	£	On demand	4,771	4,771	4,806	4,806
			<u>6,008</u>	<u>6,008</u>	<u>5,974</u>	<u>5,974</u>

Refer to note 21 for loan repayment details.

On 31st March 2016 D R Hood formally agreed to write off all loan interest charged to date, totalling £1,170,916, the interest accrued was transferred to the Capital Contribution Reserve. In addition D R Hood waived preference share interest charged to date, totalling £50,000, which was also transferred to the Capital Contribution Reserve. The total transfer to the Capital Contribution Reserve was £1,220,916. D R Hood has formally waived any future interest on the loans and the shares classified as a liability.

The loans classified as non-current liabilities are valued at fair value, using a market rate of interest and discounted, this results in a fair value adjustment of £219,000.

Notes (continued)

16 Trade and other payables

	2017	2016
	£000	£000
Trade payables	349	148
Non-trade payables and accrued expenses	590	574
Deferred income	1,343	1,619
Deferred government grants	2	2
	<hr/>	<hr/>
Current liabilities	2,284	2,343
	<hr/>	<hr/>
Deferred government grants	6	8
	<hr/>	<hr/>
Non-current liabilities	6	8
	<hr/>	<hr/>

17 Employee benefits

Defined contribution plans

The Company operates a defined contribution pension plan.

The total expense relating to this plan in the current year was £25,137 (2016: £16,358).

Share options

The Unapproved Share Option Plan and Enterprise Management Schemes were introduced in April 2006. Under these plans the directors can grant options in the Parent Company to employees of the Company. Options are granted with a fixed exercise price. Options may be exercised no earlier than the third anniversary of the date of grant and no later than the tenth anniversary of the date of grant.

Exercise of an option is subject to continuing employment. There are no other vesting conditions attached to the options and no performance criteria have been set.

Notes (continued)

17 Employee benefits (continued)

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2017 (pence)	Number of options 2017 (number)	Weighted average exercise price 2016 (pence)	Number of options 2016 (number)
Outstanding at the beginning of the period	6.15	2,630,600	6.15	2,630,600
Expired during the period	25.00	(10,600)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Outstanding at the end of the period	6.08	2,620,000	6.15	2,630,600
	<hr/>	<hr/>	<hr/>	<hr/>
Exercisable at the end of the period	6.08	2,620,000	6.15	2,630,600
	<hr/>	<hr/>	<hr/>	<hr/>

The options outstanding at the year end have an exercise price in the range of 5p to 28p (2016: 5p to 28p) and a weighted average contractual life of 6.5 years (2016: 6.5 years).

The fair value of employee share options is measured using the Black Scholes model. Measurement inputs and assumptions are as follows:

Grant date	7 July 2008	22 June 2010
Fair value at measurement date - pence	12.68	2.87
Weighted average share price - pence	24.5	4.625
Exercise price - pence	24.5	5.0
Expected volatility (expressed as % used in the modelling under Black Scholes model)	43.85%	61.82%
Option life (expressed as weighted average life used in the modelling under Black Scholes model)	6.5	6.5
Expected dividends	-	-
Risk-free interest rate (based on national government bonds)	5%	5%

The expected volatility is based on the historic volatility calculated based on the weighted average remaining life of the share options.

Share options are granted under a continued employment service condition. Such conditions are not taken into account in the grant date fair value measurement of the services received. There are no market conditions associated with the share option grants.

No options were exercised during the year.

Notes (continued)

18 Provisions

	Onerous lease £000
Balance at 1 April 2016	82
Charged to the income statement	17
	<hr/>
Balance at 1 April 2017	99
	<hr/>
Non-current	99
Current	-
	<hr/>
	99
	<hr/>

In 2006 the Company entered into a lease for office space. In May 2011 the company agreed a rental reduction to £200,000 per year. In July 2011 David Hood (in his capacity as landlord) agreed a temporary waiver of this rent charge. As at the year end this waiver remains in place. In February 2015 the Company sub-let one floor. One floor remains vacant and is available for sub-let. The onerous lease provision is the estimated liability based on future plans and current property market conditions. The provision represents one vacant floor (2016: *One vacant floor*) and an expectation that this space would let in the next 12 months. Included in this estimation is an expectation that the waiver of rent would continue to at least March 2018.

Since marketing the property in November 2011, through a recognised property agent, we have had regular, but limited interest in the property.

Notes (continued)

19 Capital and reserves

Reconciliation of movement in capital and reserves

	Capital Contribution	Share capital £000	Retained earnings £000	Total Equity £000
Balance at 31 March 2015	-	286	(8,453)	(8,167)
Balance at 1 April 2015	-	286	(8,453)	(8,167)
Total comprehensive income for the year: Loss for the financial year attributable to equity shareholders of the Company	-	-	(224)	(224)
Total comprehensive income for the year	-	-	(224)	(224)
Transactions with owners recorded directly in equity: Contribution by owner	1,221	-	-	1,221
Total contributions by and distributions to owners	1,221	-	-	1,221
Balance at 31 March 2016	1,221	286	(8,677)	(7,170)
Balance at 1 April 2016	1,221	286	(8,677)	(7,170)
Total comprehensive income for the year: Profit/(Loss) for the financial year attributable to equity shareholders of the Company	-	-	311	311
Total comprehensive income for the year	-	-	311	311
Total contributions by and distributions to owners	(219)	-	-	(219)
Balance at 31 March 2017	1,002	286	(8,366)	(7,078)

Notes (continued)

19 Capital and reserves (continued)

The motive and purpose of each reserve within equity is as follows:

<i>Reserve</i>	<i>Description and purpose</i>
Retained earnings	Cumulative net gains and losses recognised earnings in the consolidated statement of comprehensive income.
Capital contribution	Contribution by owners for interest waived on the loan to the Company and the preference shares classified as a liability.
Share premium	Amount subscribed for share capital in excess of nominal value, and deduction of costs of raising equity.

Share Capital:

	2017 £000	2016 £000
<i>Authorised</i>		
50,000,000 Ordinary shares of 1p each	500	500
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
28,600,000 Ordinary shares of 1p each	286	286
	<hr/>	<hr/>

The ordinary shares entitle the owner to one vote for every share held. Shares are not redeemable.

Interim and final dividends on the ordinary shares may be recommended by the Board at any time. Dividends shall be payable annually and no later than four months after the year end to which it relates.

Upon winding up the Company, the surplus assets of the Company remaining after payment of its liabilities shall be applied as follows:

- i. paying to the holders of the Preference Shares an amount equal to the nominal value if such shares, together with a sum equal to all arrears or accrual of dividends;
- ii. the remaining assets shall belong and be distributed to the ordinary shareholders.

Notes (continued)

20 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2017 £000	2016 £000
Less than one year	12	8
Between one and five years	735	816
More than five years	-	133
	<hr/> 747 <hr/>	<hr/> 957 <hr/>

The year ending March 2017 benefited from a rent free period in Darlington which is expected to continue until at least 31 March 2018, whereupon it may revert to the currently negotiated level of £200,000 per annum.

During the year, £12,244 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2016: £15,603).

21 Related parties

Transactions with key management personnel

The remuneration of the directors, who are the key management personnel of the Company, is disclosed in note 5. A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities transacted with the Company in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

Directors of the Company and their immediate relatives control 90.76 per cent (2016: 90.68 per cent) of the voting shares of the Company.

Notes (continued)

21 Related parties (continued)

At 31 March 2017, an amount of £527,902 (2016: £602,902) (being the principal loan A excluding interest) was owed by Infoserve Limited to D R Hood, a director and principal shareholder of Infoserve Limited. D R Hood waived interest accruing on the loan from 1st April 2016. Interest charged on the loan during the year amounted to £nil (2016: £22,587) and £nil remained unpaid at the year end (2016: £nil). On 31st March 2016 interest accrued to that date was waived by D R Hood and transferred to the Capital Contribution Reserve.

The Company is scheduled to make repayments of £12,500 per month, however, D R Hood informally agreed from April 2016 to lower repayments to £6,250 per month, until the capital balance is repaid in full. Repayments in the year were made of £75,000 (2016: £150,000).

On 19 February 2010 an amount of £250,000 (being the principal loan B excluding interest) owed by Infoserve Limited to D R Hood was repaid in full as a result of the debt to equity conversion. Interest charged on the loan during the year amounted to £nil (2016: £nil) and £nil interest remained unpaid at the year end (2016: £nil). On 31st March 2016 interest accrued to that date was waived by D R Hood and transferred to the Capital Contribution Reserve.

At 31 March 2017, an amount of £415,117 (2016: £490,117) (being the principal loan C excluding interest) was owed by Infoserve Limited to D R Hood, a director and principal shareholder of Infoserve Limited. D R Hood waived interest accruing on the loan from 1st April 2016. Interest charged on the loan during the year amounted to £nil (2016: £64,013) and £nil of interest remained unpaid at the year end (2016: £nil). On 31st March 2016 interest accrued to that date was waived by D R Hood and transferred to the Capital Contribution Reserve.

The Company is scheduled to make repayments of £12,500 per month, however, D R Hood informally agreed from April 2016 to lower repayments to £6,250 per month, until the capital balance is repaid in full. Repayments in the year were made of £75,000 (2016: £150,000).

On 29 April 2015 an amount of £75,000 was loaned to Infoserve Limited from D R Hood with an interest rate of nil. This amount remains outstanding at 31 March 2017 (2016: £75,000).

On 31st March 2016 D R Hood formally agreed to write off all loan interest charged to date, totalling £1,170,916 (A: £766,423, B: £18,011 & C: £386,482). The interest accrued to that date was transferred to the Capital Contribution Reserve. In addition D R Hood waived accrued interest on the preference shares of £50,000. The total transfer to the Capital Contribution Reserve including the preference share interest waived was £1,220,916.

Infoserve Limited entered into a lease agreement to rent property from Amerdale Investments LLP, a business in which D R Hood has an interest. The lease expenditure in the year included in administrative expenses from Amerdale Investments LLP amounted to £nil (2016: £nil). The amount owed by Infoserve Limited at the balance sheet date was £1,630 (2016: £nil) and represents a future month's service charge. The current rental was agreed to be £200,000 per annum in May 2011 and D R Hood has temporarily agreed to a waiver of this rent. This waiver continues to be in place.

During the year, Infoserve Limited made sales of £43,249 (2016: £41,280) to and purchases of £53,396 (2016: £44,412) from Multiflight Limited, a company in which D R Hood is a director and principal shareholder. At the balance sheet date Infoserve Limited owed £13,737 (2016: £26,483) to Multiflight Limited.

During the year, Infoserve Limited made sales of £21,009 (2016: £63,354) to and purchases of £1,008 (2016: £455) from Boundless Networks Limited (previously LN Communications Limited), a company in which D R Hood is a director and principal shareholder. At the balance sheet date Boundless Networks Limited owed £1,260 (2016: £40,633) to Infoserve Limited.

Acting in his capacity as a non-executive director, D R Hood continues to waive his right to receive a non-executive director's fee.

Notes (continued)

22 Financial instruments

Fair values of financial instruments

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Trade and other payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the balance sheet date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated at its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the balance sheet date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Financial instruments

The Company is exposed through its operations to one or more of the following financial risks:

- Liquidity risk
- Market price risk
- Interest rate risk
- Credit risk

Policy for managing these risks is set by the Board. The policy for each of the above risks is described in more detail below.

Liquidity risk

The liquidity risk of the Company is managed centrally. Liquidity risk arises from the Company's management of working capital and the finance charges and principal payments on debt financing. It is the risk that the Company will have difficulty in meeting its financial obligations as they fall due. The Company currently has sufficient liquid resources to meet the liquidity requirements of the business and its future plans.

Maturity of financial liabilities

The carrying amounts of financial liabilities (excluding unamortised finance costs), all of which are UK based and exposed to cash flow or fair value interest rate risk, are repayable as follows:

	On demand	Long term	On demand	Long term
	2017	2017	2016	2016
	£000	£000	£000	£000
Less than one year	4,921	-	4,956	-
1 to 2 years	-	150	-	300
2 to 5 years	-	450	-	718
Over 5 years	-	268	-	-
Non-repayable (Fair Value Adjustment)	-	219	-	-
	<u>4,921</u>	<u>1,087</u>	<u>4,956</u>	<u>1,018</u>

Notes (continued)

22 Financial instruments (continued)

Maturity of financial liabilities (continued)

The interest on all the loans from D R Hood were charged to 31st March 2017 at a rate of nil interest as agreed on 31st March 2016. The preference shares of £100,000 attract a fixed cumulative aggregate cash dividend of 5% per annum, but this has also been waived by D R Hood.

Loan repayments are currently formally agreed at a combined total of £12,500 per month for the coming financial year and formally agreed at this level for the foreseeable future.

Market price risk

Market price risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates, currency rates or other market factors. The Company's customer base is largely within the UK so changes in exchange rate pose no significant risk.

Interest rate risk

The Company finances its operations through its operating cash flow and other borrowings. The interest calculated on other borrowings is now nil, which has been effective since 1st April 2016. The Company reviews borrowings at Board meetings.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers and investment securities.

The Company's credit risk is primarily derived from its trade receivables. This risk is managed daily by the Company's credit control function who monitor recovery and ensure that outstanding debts are identified when these become overdue and appropriate action is taken to recover the amounts outstanding.

Due to the wide range of customers, the Company has no substantial exposure to any individual third party in respect of trade receivables.

The exposure to credit risk as at 31 March 2017 was as follows:

	2017 £000	2016 £000
Gross trade receivables	80	128
Provision for trade receivables	-	(20)
	<hr/>	<hr/>
Net trade receivables	80	108
	<hr/>	<hr/>

The Board receives management information each month regarding sales and trade receivables and monitors the Company's performance. The following table illustrates the concentrations of credit risk within the Company as at the balance sheet date, all UK based.

	Gross debtors £000	Provision £000	30 days £000	30-60 days £000	Greater than 60 days £000
31 March 2017	80	-	-	8	72
31 March 2016	128	(20)	12	4	112

Notes (continued)

22 Financial instruments (continued)

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2017 £000	2016 £000
Balance at 1 April	20	35
Impairment allowance utilised	(20)	(15)
	<hr/>	<hr/>
Balance at 31 March	-	20
	<hr/> <hr/>	<hr/> <hr/>

The Company's maximum credit risk is equal to the carrying value for trade receivables.

The Company's credit quality is considered by the directors to be high due to the volume of upfront payments that are received. Due to the nature of the Company's activities, the credit risk of failure of the largest customer is considered immaterial.

Fair values

The carrying values and fair values of each class of financial asset and liability during the year were:

	Carrying value 2017 £000	2016 £000	Fair value 2017 £000	2016 £000
Trade receivables	80	108	80	108
Other receivables	2	1	2	1
Cash and cash equivalents	471	393	471	393
Trade payables	(349)	(148)	(349)	(148)
Interest-bearing loans and borrowings	(6,008)	(5,974)	(6,008)	(5,974)

Capital

The Company considers its capital to comprise its ordinary share capital, preference share capital and share premium account less accumulated retained losses.

It is the Company's policy to maintain its gearing ratios at a level that balances risks and returns and ensures that the Company has sufficient liquidity in the business.

Notes *(continued)*

23 Capital commitments

The Company had capital commitments at 31 March 2017 of £nil (2016: £nil).

24 Ultimate parent company

The Company is a subsidiary undertaking of Infoserve Group plc which is the ultimate Parent Company incorporated in England and Wales. The ultimate controlling party is Infoserve Group plc.

The consolidated financial statements are available to the public from the registered office, Infoserve Group plc, South Side Aviation, Leeds Bradford International Airport, Leeds, LS19 7UG.

25 Post balance sheet events

There are no significant post balance sheet events.