

**Company Registration No. 04166889**

**Damovo UK Limited**

**Report and Financial Statements**

**31 January 2014**

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# **Damovo UK Limited**

## **Report and financial statements 2014**

### **Officers and professional advisers**

#### **Directors**

Simon Payne  
Bill Gillespie

#### **Registered Office**

Broadlands Business Park  
Langhurstwood Road  
Horsham  
West Sussex  
RH12 4QP

#### **Legal Advisers**

Thomas Eggar LLP  
Belmont House  
Station Way  
Crawley  
RH10 1JA

#### **Ultimate Parent Company**

Damovo Group Holdings Ltd  
87 Mary Street  
George Town  
Grand Cayman  
KY1-9002, Cayman Islands

#### **Bankers**

National Westminster Bank Plc  
Corporate Banking Centre Scotland  
Drummond House  
PO Box 1727  
1 Redheughs Avenue  
Edinburgh EH12 9JN

#### **Auditor**

Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol  
United Kingdom

# **Damovo UK Limited**

## **Strategic report**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### **Principal activities**

The Company's principal activities during the year were the design, implementation, integration, support and management of advanced business communication solutions for large and medium-sized enterprises.

### **Review of business and future developments**

The Company is an established independent provider of Information & Communications Technology ("ICT") solutions and services for enterprises in both the private and public sector. Within the ICT sector we focus on enterprise communications solutions including voice & data networks, unified communications incorporating applications such as collaboration and contact centres. Our strength is the ability to offer vendor independent resilient ICT solutions tailored to our clients' requirements. The Company provides these services on site, remotely and increasingly, hosted at various off site locations. The ultimate parent of the Company is Damovo Group Holdings Limited ("the Group").

Damovo UK is a well-established company with a long heritage in providing communications services and solutions that address the key business drivers of today's enterprises. The Company's strategy is to focus on delivering service excellence and high levels of client satisfaction to its 500 strong client base.

With the continuing convergence of applications on the desktop and mobile devices, the Company focuses on providing the right tools, enabling communications via any device and from any location, whether collaboration, connectivity or networking technologies, fixed or in the cloud. We work with our clients through every stage of the process - from consultancy and design through to transition, support and optimisation, all with the aim of securing the best return on their ICT investment.

### **Principal risks and uncertainties**

The key business risks affecting the Group are set out below.

#### ***Changes in technology***

Our success will depend on our ability to develop and implement technology solutions that anticipate and keep pace with rapid and continuing changes in technology, industry standards and client preferences.

#### ***Competition***

The ICT markets in which we operate are highly competitive. Our competitors vary in terms of market position, size and resources and include a broad spectrum of ICT solutions and services companies. Our success will depend on our ability to offer the right solutions at the right prices and to meet our customers' expectations in implementation and support.

#### ***Contract pricing***

The pricing and other terms of our long-term customer agreements require us to make estimates and assumptions that could differ from actual results. Increased or unexpected costs or unanticipated delays in connection with these engagements would reduce profitability. Our success will depend on our ability to manage our costs.

#### ***Key customers and new contract wins***

A significant reduction in business with our key customers would impact our growth strategy. Our success will depend on maintaining our relationships with our key customers.

Many of our customers retain us on a non-exclusive basis. Many of our contracts could be terminated by our customers on short notice. Longer-term, larger and more complex contracts generally require a longer notice period for termination by the customer and may include an early termination charge to be paid to us. Our business strategy depends upon success in renewing our existing agreements to perform managed, maintenance and IT services.

## Damovo UK Limited

### Strategic report

#### Principal risks and uncertainties (continued)

##### *Technology partners*

A significant disruption in our supply from, or relationship with, key equipment vendors could delay our ability to deliver required customer solutions.

##### *Product and software defects*

We provide solutions and products that incorporate leading technology, including both hardware and software. If the products we install or the services we provide to our customers are defective or inadequate then the costs of remediation can be significant.

##### *Third-party licenses*

Many of our solutions include software or other intellectual property licensed from third parties. It may be necessary in the future to seek or renew licenses relating to various aspects of these products. The inability to obtain certain licenses or other rights or to obtain such licenses or rights on favourable terms would adversely impact our business.

##### *Currency exchange rate risks*

Our financial results are impacted by both translation and transaction currency effects resulting from changes in currency exchange rates.

#### Key performance indicators

As a result of cost reductions and better margins, business performance in the year ended 31 January 2014 showed a 27% increase in operating profit before exceptional items and depreciation to £1,958,000 (2013: £1,532,000). Revenue of £27,561,000 (2013: £30,674,000) was down 10% on the prior year, and Gross Profit % increased by 3% from 33% to 36%, mainly due to a continued focus on cost reductions across the business.

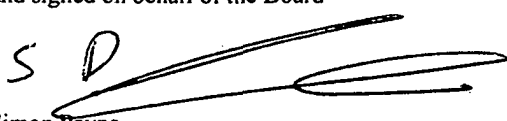
#### Analysis of operating profit / (loss)

	Notes	2014 £'000	2013 £'000
Operating profit before exceptional items and depreciation		1,957	1,532
Exceptional items			
Intercompany Receivable / Goodwill impairment	4 & 14 / 11	(5,043)	(13,104)
Restructuring costs	4	(98)	(374)
Depreciation	10	(170)	(219)
Operating loss (page 9)		<u>(3,354)</u>	<u>(12,165)</u>

#### Future Developments

The market in which the Company operates is very competitive both commercially and technologically. The cost containment measures taken during the year have delivered a strong financial base from which the Company can develop.

Approved by the Board of Directors  
and signed on behalf of the Board

  
Simon Payne  
Director  
7<sup>th</sup> November 2014

## **Damovo UK Limited**

### **Directors' report**

The directors present their report and the audited financial statements for Damovo UK Limited ("the Company") for the year ended 31 January 2014.

#### **Results and dividends**

The Company's total comprehensive expense and loss for the financial year is a comprehensive loss of £3,583,000 (2013: loss of £12,625,000). No dividends have been paid or are proposed (2013: £nil).

#### **Going concern**

The accompanying financial statements have been prepared on a going concern basis. The Company has long-term contracts with a number of customers and suppliers across different geographic areas and industries and has ended the year with £1.1M of cash. The Directors have prepared a detailed business plan for 12 months from the date of these financial statements which demonstrates that the Company has sufficient cash reserves to operate effectively, independently of its ultimate Parent Company, Damovo Group Holdings Limited for the foreseeable future. Additionally, if further liquidity is required, the Company has a letter of support provided by Damovo Group Holdings Limited stating that it will continue to provide financial support to and/or procure financial support for the Company for at least 12 months from the signing date of these financial statements. This could include waiver of Group interest and other payments.

#### **Directors and their interests**

The directors who held office during the year are listed on page 1. No director had any disclosable interest in the shares of the Company in either year.

#### **Financial risk management objectives and policies**

The Company's activities expose it to a number of financial risks including foreign exchange and interest rate risk, credit risk and liquidity risk. These are addressed in note 17 of the accounts.

The Company does not have external bank borrowings and is funded entirely from within the Damovo Group. During the year an element of the Damovo Group borrowings which was due by 31 December 2014 moved to Short Term borrowings. Since 31<sup>st</sup> January 2014 it was formally agreed to extend the repayment date by 12 months to 31 December 2015.

#### **Employees**

The Company's success depends on the experience, knowledge and ability of our employees. We value the differences that a diverse workforce brings the organisation and we are fully committed to the elimination of unlawful and unfair discrimination. We will not discriminate on the grounds of race, gender, disability, nationality, ethnic origin, religion, age, sexual orientation or family status. Any employment decisions are based on business criteria alone with no irrelevant factors forming part of any business decision.

We have 21 apprentices in the business at various levels across technical and sales disciplines. In 2013 we were delighted to be named as one of the Top 100 Apprenticeship Employers for the third year running. This was a great accolade after having also been named Large Employer of the Year 2013 in the South Central regional finals. We recognise that apprenticeship schemes are a great way to continually re-invigorate the business and encourage local talent. The award is a testament to the young people who work so hard to make it a success.

The Company continues to consult with employees to ensure that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the Company as a whole. Communication with all employees continues through our Intranet, regular all-employee meetings and briefing groups.

#### **Auditor**

Each of the persons who is a director at the date of approval of this report confirms that:

## **Damovo UK Limited**

### **Directors' report**

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'S Payne', with a long horizontal flourish extending to the right.

Simon Payne  
Director  
7<sup>th</sup> November 2014

## **Damovo UK Limited**

### **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent auditor's report to the members of Damovo UK Limited**

We have audited the financial statements of Damovo UK Limited for the year ended 31 January 2014 which comprise the statement of comprehensive income, the statement of changes in shareholders' equity, the balance sheet, the cash flow statement and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

### **Respective responsibilities of directors and auditors**

As explained more fully in the Directors' responsibilities statement, 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**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **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 January 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## **Independent auditor's report to the members of Damovo UK Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*M. R. Cheetham*

Matthew Cheetham, Senior Statutory Auditor  
For and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

*7 November 2014*

## Damovo UK Limited

### Statement of comprehensive income Year ended 31 January 2014

	Notes	2014 £'000	2013 £'000
Revenue	2	27,561	30,674
Cost of sales	3	(17,606)	(20,676)
Gross profit		9,955	9,998
Administrative expenses	3	(13,309)	(22,163)
Operating loss *	5	(3,354)	(12,165)
Finance costs	6	(1,822)	(2,193)
Finance income	6	1,593	1,733
Net finance costs	6	(229)	(460)
Loss before taxation		(3,583)	(12,625)
Taxation	9	-	-
Total comprehensive loss for the year	21	(3,583)	(12,625)

#### \* Analysis of operating profit / (loss)

	Notes	2014 £	2013 £
Operating profit before exceptional items and depreciation		1,957	1,532
Exceptional items:			
Goodwill impairment	4, 11	-	(13,104)
Intercompany receivable impairment	14	(5,043)	-
Restructuring costs	4	(98)	(374)
Depreciation	10	(170)	(219)
Operating loss	21	(3,354)	(12,165)

## Damovo UK Limited

### Statement of changes in shareholder's equity Year ended 31 January 2014

	Notes	Ordinary shares £'000	Share premium £'000	Retained loss £'000	Total £'000
<b>At 31 January 2012</b>		8,543	83,940	(62,291)	30,192
Net loss recognised in the statement of comprehensive income	21	-	-	(12,625)	(12,625)
<b>At 31 January 2013</b>		8,543	83,940	(74,916)	17,567
Net loss recognised in the statement of comprehensive income	21	-	-	(3,583)	(3,583)
<b>At 31 January 2014</b>		8,543	83,940	(78,499)	13,984

## Damovo UK Limited

### Balance sheet 31 January 2014

	Notes	2014 £'000	2013 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	384	434
Goodwill	11	6,581	6,581
Accounts receivable and other debtors	14	45	214
		<u>7,010</u>	<u>7,229</u>
<b>Current assets</b>			
Inventory and work in progress	13	621	676
Accounts receivable and other debtors	14	43,967	49,179
Cash and cash equivalents	12	1,056	767
		<u>45,644</u>	<u>50,622</u>
<b>Total assets</b>		<u>52,654</u>	<u>57,851</u>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Ordinary shares	20	8,543	8,543
Share premium	20	83,940	83,940
Retained loss	21	(78,499)	(74,916)
		<u>13,984</u>	<u>17,567</u>
<b>Current liabilities</b>			
Accounts payable and other creditors	15	12,795	13,555
Borrowings	17	9,569	-
Provisions	19	119	348
		<u>22,483</u>	<u>13,903</u>
<b>Non-current liabilities</b>			
Borrowings	17	16,161	26,332
Amounts payable under finance leases		26	49
		<u>16,187</u>	<u>26,381</u>
<b>Total liabilities</b>		<u>38,670</u>	<u>40,284</u>
<b>Total equity and liabilities</b>		<u>52,654</u>	<u>57,851</u>

The financial statements of Damovo UK Limited, registered number 04166889, were approved by the Board of Directors and authorised for issue on 7th November 2014.

Signed on behalf of the Board of Directors

  
Simon Payne  
Director

  
Bill Gillespie  
Director

## Damovo UK Limited

### Cash flow statement Year ended 31 January 2014

	Note	2014 £'000	2013 £'000
<b>Cash flows from operating activities</b>			
Cash from operations	23	1,263	2,748
Interest paid		(1,822)	(2,193)
Interest received		1,593	1,733
Net cash from operating activities		<u>1,034</u>	<u>2,288</u>
<b>Cash flows from investing activities</b>			
Purchase of tangible fixed assets		<u>(120)</u>	<u>(346)</u>
Net cash used in investing activities		<u>(120)</u>	<u>(346)</u>
<b>Cash flows from financing activities</b>			
Amounts paid to group companies		(602)	(1,660)
Decrease in long term finance lease		<u>(23)</u>	<u>(3)</u>
Net used in financing activities		<u>(625)</u>	<u>(1,663)</u>
Increase in cash and cash equivalents		<u>289</u>	<u>279</u>
<b>Movement in cash and cash equivalents</b>			
Opening cash and cash equivalents		767	488
Net increase in cash and cash equivalents		<u>289</u>	<u>279</u>
Cash and cash equivalents at 31 January		<u><u>1,056</u></u>	<u><u>767</u></u>

## **Damovo UK Limited**

### **Notes to the accounts Year ended 31 January 2014**

#### **1. Significant accounting policies**

The principal accounting policies adopted in the preparation of these accounts are set out below and have been consistently applied in both the current and prior periods.

##### **General information**

Damovo UK Limited ("the Company") is a limited liability company registered in the United Kingdom. The address of its registered office and principal place of business are disclosed on page 1. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

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

The financial statements of Damovo UK Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations endorsed by the European Union (EU). The financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments in accordance with IAS 39 as explained below.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates, the effect of which is recognised in the period in which the facts that give rise to the revision became known.

The financial statements also adhere to the provisions of UK Company law.

##### **Going concern**

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Operating and Financial Review on page 2. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the notes below. In addition, note 17 to the financial statements includes the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and its exposures to credit risk and liquidity risk.

The Company has long-term contracts with a number of customers and suppliers across different geographic areas and industries and has ended the year with £1.1M of cash. The Directors have prepared a detailed business plan for 12 months from the date of these financial statements which demonstrates that the Company has sufficient cash reserves to operate effectively, independently of its ultimate Parent Company, Damovo Group Holdings Limited for the foreseeable future. Additionally, if further liquidity is required, the Company has a letter of support provided by Damovo Group Holdings Limited stating that it will continue to provide financial support to and/or procure financial support for the Company for at least 12 months from the signing date of these financial statements. This could include waiver of Group interest and other payments.

Therefore, after making enquires, the Directors believe that the Company has sufficient resources and have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 1. Significant accounting policies (continued)

##### Adoption of new and revised standards

As at the date of authorisation of these financial statements, the following new standards and interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases, had not yet been adopted by the EU):

IFRS/Amendment	Application date of standard	Application date for Company
IFRS 9 Financial instruments	1 January 2015	1 January 2015
IFRS 15 Revenue from contracts with customers	1 January 2017	1 January 2017

The Company is currently assessing the impact of IFRS 9 Financial Instruments on its results, financial position and cash flows and related disclosures. The Directors do not anticipate that the adoption of this new standard, effective for 2015, will have a material impact on the Company's financial statements in the period of initial application when the relevant standards come into effect.

##### Foreign currency translation

British Pounds Sterling (GBP) is the presentation currency of the Company accounts. GBP is used by the Company for conducting the majority of its business, and also for reporting its results.

Where the Company carries out transactions in a different currency to its local one, the foreign currency amounts are translated at the exchange rate ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies, such as trade receivables, trade payables and foreign currency bank accounts, are retranslated at the rates of exchange ruling at the balance sheet date. All differences arising on translating these amounts are taken to the statement of comprehensive income in the period in which they occur.

##### Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. In addition, costs directly attributable to the acquisition have been included in goodwill. Goodwill, as shown on the balance sheet at the year end, is reviewed annually for impairment and additional reviews when indicators of impairment exist. If any such impairment exists and the carrying value exceeds the estimated "value in use", goodwill is written down to value in use.

Value in use is determined by estimating the future cash inflows and outflows to be derived from the continuing use of the asset and from its ultimate disposal and discounting these at an appropriate discount rate. The discount rate applied reflects the current market assessment of the time value of money and the risks specific to the Company. Details of the change in value of Goodwill are set out in note 11.

## **Damovo UK Limited**

### **Notes to the accounts Year ended 31 January 2014**

#### **1. Significant accounting policies (continued)**

##### **Property, plant and equipment**

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

Depreciation is charged on a straight-line basis over the estimated useful life of the assets based on the following rates:

Land, buildings and leasehold improvements	20%
Furniture, fittings, IT and other equipment	20 – 33%

The book values of these assets are reviewed for impairment whenever changes in circumstances indicate those values may not be recoverable. If the book values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. The recoverable amount is the greater of the estimated net sales price and the value in use. Value in use is calculated by discounting the estimated future cash flows arising from the asset's use to its present value.

##### **Revenue recognition**

Damovo's business is the creation of solutions for customers' communications needs. The main revenue streams relate to the supply and installation of equipment, service contracts and managed service contracts.

The Company revenue recognition policy is as follows:

##### **Supply and installation of equipment**

The supply and installation of voice and data equipment includes the provision of design and consultancy services together with systems integration activities.

Revenue from the supply of equipment, where there is little or no installation or other services provided, is recognised when the equipment has been delivered to and been accepted by the customer. Revenue from supply and installation contracts, where there is a significant level of installation and the contract is delivered over a number of months, is recognised using the percentage of completion method. When the outcome cannot be estimated reliably, then no profit is recognised. Costs incurred in the early stages of a contract which relate to future physical activity are accumulated in the balance sheet as work in progress. If the total estimated costs to completion indicate that total contract costs will exceed total contract revenue, the expected loss is recognised immediately.

The amount and timing of invoicing is usually governed by a set of milestone targets agreed with clients. Due to the timing of the milestone targets, the sales value of invoices will not always be an accurate measure of the level of activity on the contract.

##### **Service contracts**

These comprise the provision of maintenance services to customers. These services are provided under contracts over specific periods of time with pre-agreed levels of service. Depending upon the nature of service provided, revenue under these contracts is taken to the statement of comprehensive income on a straight-line basis over the period for which the service is contractually agreed by the Company with the customer.



## **Damovo UK Limited**

### **Notes to the accounts Year ended 31 January 2014**

#### **1. Significant accounting policies (continued)**

##### **Managed service contracts**

Managed service contracts cover the management of voice, data and mobile communications infrastructure tailored to meet the current and future needs of customers. Each service area offers a range of core services supported by a wide choice of optional additional services. The options include user training, network planning and traffic coordination, remote alarm monitoring and voice mail management. The revenue from the services element of managed service contracts is recognised in accordance with the methods described above for service contracts.

Revenue for the supply and installation of equipment including design, consultancy and systems integration under a managed service contract is recognised in accordance with the policy for supply and installation of equipment and solutions described above.

##### **Inventory**

Inventory and work in progress are valued at the lower of cost and net realisable value. Inventory comprises equipment and spare parts held for resale or use in warranty repair ("swap and repair"). The cost of equipment inventory is calculated using current standard cost. Work in progress comprises the costs of materials, direct labour, other direct costs and related overheads.

##### **Cash and cash equivalents**

Cash and cash equivalents comprise bank balances and short-term deposits with an original maturity of three months or less.

##### **Accounts receivable and other debtors**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount determined on a discounted cash flow basis.

##### **Accounts payables**

Trade payables and other payables are recognised when an entity becomes obliged to make future payments resulting from the purchase of goods and services. Trade and other payables are measured at amortised cost.

##### **Employee benefits**

The Company operates a defined contribution pension scheme for the benefit of all employees. The costs relating to this scheme are charged to the profit and loss account as they fall due. The Company provides no other post-retirement benefits to its employees.

##### **Taxation**

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

## **Damovo UK Limited**

### **Notes to the accounts Year ended 31 January 2014**

#### **1. Significant accounting policies (continued)**

##### **Deferred tax**

Deferred tax arises due to temporary differences between the inclusion of income and expenses in the accounts and their effect on the underlying tax calculations of the Company. Deferred tax is provided for using the liability method.

The main factors affecting deferred tax are differences between the accounting and tax treatment on goodwill, depreciation on fixed assets, provisions, pensions and tax losses carried forward.

Where the effect of such temporary differences is to create a deferred tax asset, this is only recognised in the accounts to the extent that it is probable that future taxable profit will be available against which the temporary differences can be offset and is measured at the tax rates that are expected to apply when the asset is realised.

##### **Exceptional items**

Items are classified as exceptional gains or losses where they are considered by the Company to be material and are different from events or transactions which fall within the ordinary activities of the Company and which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood. Details of the exceptional items are provided in note 4.

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Details of provisions in existence at the balance sheet dates are provided in note 19.

##### **Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessor. All other leases are classified as operating leases. Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the term of the relevant lease.

##### **The Company as a Lessee**

Assets held under finance leases are recorded as assets of the Company at the date of acquisition at their fair value, or if lower, at the present value of the minimum lease payments. The corresponding liability is included in the balance sheet as a finance lease obligation. Finance costs are charged to the statement of comprehensive income over the term of the relevant lease, so as to achieve a constant rate on the finance balance outstanding.

##### **The Company as a Lessor**

Amounts receivable under finance leases are recorded as assets of the Company at the start of the lease at the net present value of the future rentals receivable. The difference between the gross value of the rentals receivable and this amount is recognised as income over the term of the lease so as to give a constant rate of return over the life of the lease. In some cases the Company will enter into a transaction where the future lease rentals receivable are "sold" on to a bank or other provider of finance. Where the arrangement is with recourse, the Company recognises the receivable and payable on balance sheet as if the Company was leasing the assets to the customer and receiving the finance from the bank. Where the arrangement is without recourse, receivables and payables are de-recognised.

## **Damovo UK Limited**

### **Notes to the accounts Year ended 31 January 2014**

#### **1. Significant accounting policies (continued)**

##### **Bank borrowings**

Borrowings are recognised initially at the proceeds received, net of transaction costs incurred. Any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings. Issue costs are charged to the statement of comprehensive income over the life of the borrowings. On an ongoing basis, the Company measures its debt facilities at amortised cost using the effective interest method.

##### **Debt issuance costs**

Costs incurred in the issuance of debt instruments are capitalised and amortised using the effective interest rate method over the maturity period of the debt to which the costs relate.

##### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

##### **Critical judgements in applying the Company's accounting policies**

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **Revenue recognition**

In making its judgement, management considered the detailed criteria for the recognition of revenue from the sale of goods set out in IAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods. The directors are satisfied that the significant risks and rewards have been transferred and that recognition of the revenue in the current year is appropriate.

##### **Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### **Impairment of goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

##### **Impairment of intercompany receivable**

In determining the recoverability of intercompany receivables, the company has considered the ability of the Group companies to generate sufficient future cash flows to repay the net obligations to the Company.

# Damovo UK Limited

## Notes to the accounts Year ended 31 January 2014

### 1. Significant accounting policies (continued)

#### Deferred tax

The recognition of deferred tax assets requires judgements as to the probability of taxable profits being available in the future and the amount and location of taxable profits that are forecast to arise. This requires the directors to exercise judgement in forecasting future results, including assumptions and estimates of growth in revenue and changes in operating margins. Management has concluded not to recognise deferred tax assets in the year. Details of deferred tax movements are set out in note 15.

### 2. Analysis of revenue by category

The Company's revenue and operating loss relate entirely to its principal activities in the United Kingdom.

	2014 £'000	2013 £'000
Revenue from services	18,041	18,502
Project revenues including sale of goods	9,520	12,172
	<u>27,561</u>	<u>30,674</u>

### 3. Analysis of expenses by nature

	2014 £'000	2013 £'000
Depreciation	170	219
Impairment of goodwill (note 11)	-	13,104
Impairment of intercompany receivables (note 14)	5,043	-
Staff costs (including termination and redundancy)	11,064	12,673
Cost of inventories included in cost of sales	4,161	6,986
All other operating expenses	10,477	9,857
	<u>30,915</u>	<u>42,839</u>

### 4. Exceptional items

Items are classified as exceptional gains or losses where they are considered by the Company to be material and are different from events or transactions which fall within the ordinary activities of the Company and which individually, or if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to be properly understood.

Exceptional items have been charged to the statement of comprehensive income as follows:

	2014 £'000	2013 £'000
Administrative expenses	<u>5,141</u>	<u>13,478</u>

Exceptional items in the current year relate to restructuring costs of £98,000 and Intercompany receivable impairment of £5,043,000 (2013: restructuring of £374,000, plus Goodwill impairment of £13,104,000).

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 5. Operating loss

Operating loss is stated after the following charges / (credits):

	2014 £'000	2013 £'000
Depreciation on assets		
- owned by the Company	170	219
Goodwill impairment (note 11)	-	13,104
Intercompany impairment (note 14)	5,043	-
Operating lease rentals payable		
- equipment and fittings	349	356
- property	224	246
	<u>          </u>	<u>          </u>

Details in relation to the Audit fees are explained below:

	2014 £'000	2013 £'000
Audit fees:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	38	48
	<u>          </u>	<u>          </u>
	38	48
	<u>          </u>	<u>          </u>

The auditor did not provide any non-audit services in either year.

#### 6. Net finance costs

	2014 £'000	2013 £'000
Interest expense payable		
- Bank borrowings	(7)	(10)
- Other Group companies	(1,515)	(1,917)
Re-financing costs	3	(262)
Early settlement discounts	-	(4)
Currency translation losses	(303)	-
	<u>          </u>	<u>          </u>
<b>Finance costs</b>	<b>(1,822)</b>	<b>(2,193)</b>
Interest income		
- Bank deposits	-	3
- Finance leases	10	10
- Other Group companies	1,583	1,623
Currency translation gains	-	97
	<u>          </u>	<u>          </u>
<b>Finance income</b>	<b>1,593</b>	<b>1,733</b>
	<u>          </u>	<u>          </u>
<b>Net finance costs</b>	<b>(229)</b>	<b>(460)</b>
	<u>          </u>	<u>          </u>

## Damoyo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 7. Staff costs

	2014 £'000	2013 £'000
Wages and salaries	9,458	10,918
Social security costs	1,095	1,196
Pension costs – defined contribution plans	511	559
	<u>11,064</u>	<u>12,673</u>

The average number of employees in the year (including directors) was 220 (2013: 238)

	2014 No.	2013 No.
Finance and administration	53	57
Trading support	167	181
	<u>220</u>	<u>238</u>

#### 8. Directors' remuneration

	2014 £'000	2013 £'000
<b>Aggregate emoluments</b>		
Aggregate emoluments (including benefits in kind)	546	799
Company pension contributions to money purchase scheme	16	14
	<u>562</u>	<u>813</u>

	2014 £'000	2013 £'000
<b>Highest paid director</b>		
Aggregate emoluments (including benefits in kind)	309	330
Company pension contributions to money purchase scheme	16	14
	<u>325</u>	<u>344</u>

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 9. Taxation

The tax charge in the statement of comprehensive income comprises:

	2014 £'000	2013 £'000
Current tax charge on taxable losses	-	-
Deferred tax charge	-	-
<b>Tax charge</b>	<b>-</b>	<b>-</b>

#### Reconciliation of income taxes

The tax charge on the Company's loss before tax has been based on the UK tax rate of 23.17% (2013: 24.33%). A reconciliation of the effective tax rate for the current and prior year tax charge is set out below.

	2014 £'000	2013 £'000
Loss before tax	(3,583)	(12,625)
Tax calculated at 23.17% (2013: 24.33%)	(830)	(3,072)
Expenses not deductible for tax purposes	1,191	3,213
Transfer pricing adjustment	(38)	(649)
Deferred tax effect of change in tax rate	(2)	(14)
Deferred tax not recognised	(321)	522
<b>Tax charge</b>	<b>-</b>	<b>-</b>

The company has unrecognized deferred tax assets of £2,429,000 at 31 January 2014 (31 January 2013: £2,861,000). These have not been recognized because the directors do not have sufficient certainty over the availability of future taxable profits.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 10. Property, plant and equipment

	Land, buildings and leasehold improvements £'000	Fixtures, fittings, IT and other equipment £'000	Total £'000
<b>Cost</b>			
As at 1 February 2012	605	4,899	5,504
Additions	315	31	346
	<hr/>	<hr/>	<hr/>
As at 1 February 2013	920	4,930	5,850
Additions	50	70	120
	<hr/>	<hr/>	<hr/>
As at 31 January 2014	970	5,000	5,970
	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>			
As at 1 February 2012	561	4,636	5,197
Depreciation charge for the year	68	151	219
	<hr/>	<hr/>	<hr/>
As at 31 January 2013	629	4,787	5,416
Depreciation charge for the year	75	95	170
	<hr/>	<hr/>	<hr/>
As at 31 January 2014	704	4,882	5,586
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
As at 31 January 2013	291	143	434
	<hr/>	<hr/>	<hr/>
As at 31 January 2014	266	118	384
	<hr/>	<hr/>	<hr/>



## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 11. Goodwill

	2014 £'000	2013 £'000
Opening balance	6,581	19,685
Impairment adjustment	-	(13,104)
<b>As at 31 January</b>	<b>6,581</b>	<b>6,581</b>

Under IAS 36 Impairment of Assets, an impairment test was carried out on goodwill as at 31 January 2014. No impairment was identified. The value-in-use calculation assumes the forecast cash flows from the approved plan, after applying a discount rate and terminal value multiplier, provide an indication of the current valuation of goodwill. The discount rate is deemed to reflect the current market assessment of the time value of money and the risks specific to the Company.

Management arrived at the forecast cash flows from past experience and an assessment of the current and expected market conditions in the UK. The discount rate and terminal value multiplier are consistent with external sources.

- The recoverable amount was determined using a value in use calculation;
- The value in use calculations were based on the approved budget for 12 months to 31 January 2014. For periods beyond this date, a growth rate of 0% above the long-term projections for RPI was applied over a three year period;
- The key assumptions underpinning the approved budget for the 12 months to 31 January 2015 are those in relation to sales and gross margin. These have been determined by reference to actual sales and margin for the period to 31 January 2014, adjusted for known changes in achievable targets; and
- The pre-tax discount rate used was 12%.

Management believes that there are no reasonably possible changes to the key assumptions which might result in the carrying amount of goodwill to exceed its recoverable amount. An indication of the sensitivities in question is thus presented below:

- An increase in discount rate by 16% would be required to result in a reduction to the book value of goodwill.
- A 55% drop in forecasted cash flows would be required to result in a reduction to the book value of goodwill.

#### 12. Cash and cash equivalents

	2014 £'000	2013 £'000
Cash at bank and on hand	704	516
Short-term bank deposits	352	251
	<b>1,056</b>	<b>767</b>

The short term deposits represent blocked cash, lodged as security for a key supplier.

# Damovo UK Limited

## Notes to the accounts Year ended 31 January 2014

### 13. Inventory and work in progress

	2014 £'000	2013 £'000
Raw materials	162	173
Work in progress	459	503
	<u>621</u>	<u>676</u>

Stated net of inventory provision as at 31 January 2014 of £88,000 (2013: £58,000).

### 14. Accounts receivable and other debtors

The fair value of accounts receivable and other debtors is the same as the carrying value due to the short-term nature of the transactions.

	2014 £'000	2013 £'000
<b>Amounts falling due within one year</b>		
Accounts receivable	1,802	2,313
Provision for bad and doubtful debts	(87)	(80)
	<u>1,715</u>	<u>2,233</u>
Accounts receivable – net	1,715	2,233
Amounts owed by other Damovo Group companies	44,758	44,214
Impairment of Intercompany receivables	(5,043)	-
	<u>39,715</u>	<u>44,214</u>
Amounts owed by other Damovo Group companies - net	39,715	44,214
Prepayments and accrued income	2,381	2,335
Amounts receivable under finance leases	40	196
Other debtors	116	201
	<u>43,967</u>	<u>49,179</u>
<b>Amounts falling due after more than one year</b>		
Amounts receivable under finance leases	45	214

The carrying amounts of the Company's net accounts receivable is denominated in the following currencies:

	2014 £'000	2013 £'000
Pounds	1,420	2,026
Euros	291	207
US Dollar	4	-
	<u>1,715</u>	<u>2,233</u>

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 14. Accounts receivable and other debtors (continued)

##### Credit quality of accounts receivable

The table below analyses the total accounts receivable balance as fully performing, past due and impaired:

	2014 £'000	2013 £'000
Fully performing	1,414	1,927
Less than 90 days past due	239	153
Over 90 days past due	62	153
Impaired	87	80
	<u>1,802</u>	<u>2,313</u>

Accounts receivable are considered impaired if they are not considered recoverable. As of 31 January 2014, accounts receivable of £301,000 (2013: £226,000) were past due but not impaired. These relate to a number of independent customers for whom there is no history of default. Intercompany balances are disclosed below.

##### Provision for bad and doubtful debts

Accounts receivable of £87,000 (2013: £80,000) were impaired and provided for, at 100%, as follows:

	2014 £'000	2013 £'000
Up to three months	-	18
Over three months	87	62
	<u>87</u>	<u>80</u>

Movement on the provision for bad and doubtful debts is as follows:

	2014 £'000	2013 £'000
Opening balance	80	68
Provision for receivables impairment	7	66
Receivables written off in the year as uncollectable	-	(54)
Unused amounts reversed	-	-
<b>As at 31 January</b>	<u>87</u>	<u>80</u>

The creation and release of provision for impaired receivables have been included in 'other operating expenses' in the statement of comprehensive income (See note 3).

Concentrations of credit risk with respect to trade receivables are limited due to the Company's customer base being large and unrelated. Standard credit terms with customers are 30 days, with the average number of net debtor days (net trade receivables/sales) being 27 days (2013: 32). Due to this, management believes there is no further credit risk provision required in excess of normal provision for doubtful receivables.

## **Damovo UK Limited**

### **Notes to the accounts Year ended 31 January 2014**

#### **Amounts owed by/to other Damovo Group Companies**

The Company has balances both receivable from, and payable to other Damovo Group companies. On 31 October 2014 the Company signed a Set-Off and Subordination agreement with certain of those Group companies, under which £28,215,112 of the balances owed by the Company were set off against balances owed to the Company. This has been treated as a non-adjusting post balance sheet event.

Management has reviewed the resultant net amount receivable from other Group Companies and made an impairment provision £5,043,000 against the amount outstanding at the 31 January 2014. The amount of provision made was determined as the difference between the net carrying value and the estimated recoverable amount determined on a discounted cash flow basis.

#### **15. Accounts payable and other creditors**

The fair value of accounts payable and other creditors is the same as the carrying value due to the short-term nature of the transactions.

	<b>2014</b>	<b>2013</b>
	<b>£'000</b>	<b>£'000</b>
Accounts payable	3,395	3,156
Amounts owed to other Damovo Group companies	2,495	2,645
Accruals	1,337	1,589
Deferred income	4,906	5,240
VAT	321	477
Social security and other taxes	317	373
Amounts payable under finance leases	24	75
	<u>12,795</u>	<u>13,555</u>

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 16. Financial risk management

##### Categories of financial instruments

The following financial assets and financial liabilities at carrying values meet the definition of financial instruments and are classified according to the following categories:

	2014 £'000	2013 £'000
<b>Loans and receivables</b>		
Cash and cash equivalents	1,056	767
Accounts receivable	1,715	2,233
Amounts owed by other Damovo Group companies	39,715	44,214
Accrued income	1,037	1,041
Amounts receivable under finance leases	85	410
<b>Financial assets</b>	<b>43,608</b>	<b>48,665</b>
<b>Amortised cost</b>		
Accounts payable	3,395	3,156
Amounts owed to other Damovo Group companies	28,225	28,977
Accruals	1,337	1,589
Amounts payable under finance leases	50	124
<b>Financial liabilities</b>	<b>33,007</b>	<b>33,846</b>

The Company's activities expose it to a variety of financial risks, including the effects of changes in foreign currency exchange rates and interest rates. The overall risk management programme seeks to minimise potential adverse effects on the financial performance of the Company. The Company does not undertake any speculative treasury activities.

##### Market risk

##### *Foreign exchange risk*

The Company operates primarily in the UK and has limited transactional foreign exchange risk on a commercial basis, although the Company does have currency exposure in relation to intercompany debt which resulted in a gain of £1,117,000 for 2014 (2013: £821,000 loss) (See note 17) and intercompany receivables which resulted in a loss of £1,420,000 (2013: £918,000 gain). This foreign currency exposure is not hedged as it eliminates at Group level for reporting purposes.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 16. Financial risk management (continued)

The sensitivity analysis below is based on a 10% change in Sterling against the Euro and US Dollars, applied to the net monetary assets or liabilities denominated in these currencies at the reporting date. The sensitivity analysis includes external and internal intercompany loans within the Group.

	GBP-denominated		EUR-denominated		USD-denominated	
	2014	2013	2014	2013	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,056	737	-	1	-	29
Accounts receivable	1,420	2,026	291	207	4	-
Amounts owed by other Damovo						
Group companies	10,969	10,632	28,746	33,582	-	-
Accrued income	1,037	1,041	-	-	-	-
Amounts receivable under finance leases	85	410	-	-	-	-
<b>Monetary assets</b>	<b>14,567</b>	<b>14,846</b>	<b>29,037</b>	<b>33,790</b>	<b>4</b>	<b>29</b>
Accounts payable	2,813	2,736	14	33	568	387
Amounts owed to other Damovo						
Group companies	156	536	28,069	28,441	-	-
Accruals	1,337	1,589	-	-	-	-
Amounts payable under finance leases	50	124	-	-	-	-
<b>Monetary liabilities</b>	<b>4,356</b>	<b>4,985</b>	<b>28,083</b>	<b>28,474</b>	<b>568</b>	<b>387</b>
<b>Net Monetary assets/(liabilities)</b>	<b>10,211</b>	<b>9,861</b>	<b>954</b>	<b>5,316</b>	<b>(564)</b>	<b>(358)</b>
<b>Loss before tax – gain/(loss)</b>						
<b>+10% appreciation</b>	-	-	(95)	(532)	56	36
<b>-10% depreciation</b>	-	-	95	532	(56)	(36)

In management's opinion, the sensitivity analysis is based on the monetary assets and liabilities at the reporting date; and therefore does not fully reflect the exposure during the year.

#### *Interest rate risk*

Interest rate risk management is governed by the requirements of the Company's debt facilities agreements. The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cashflow interest rate risk. The Company also has interest-bearing assets where interest income is receivable, this being cash at bank. Net debt is expressed as Borrowings less Cash and cash equivalent.

The Company's intercompany debt is from its parent Company at rates of 5.40% & 12.40%. This interest rate risk is unhedged as it eliminates at Group level for reporting purposes.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 16. Financial risk management (continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for both financial assets and liabilities as listed above at balance sheet date. With all other variables held constant, the table below demonstrates the sensitivity to a 1% change in interest rates applied, to major currencies of net variable rate asset/(liabilities). 1% is the sensitivity rate that represents management's assessment of the reasonably possible change in interest rates.

	GBP-denominated		EUR-denominated		USD-denominated	
	2014	2013	2014	2013	2014	2013
	£'000	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	1,056	737	-	1	-	29
Amounts owed by other Damovo Group companies	10,969	10,632	28,746	33,582	-	-
Amounts receivable under finance leases	85	410	-	-	-	-
Amounts owed to other Damovo Group companies	(156)	(536)	(28,069)	(28,441)	-	-
Amounts payable under finance leases	(50)	(124)	-	-	-	-
	<u>11,904</u>	<u>11,119</u>	<u>677</u>	<u>5,142</u>	<u>-</u>	<u>29</u>
Less: Fixed rate debt	<u>(11,054)</u>	<u>(11,042)</u>	<u>(28,746)</u>	<u>(33,582)</u>	<u>-</u>	<u>-</u>
<b>Net variable rate assets/(liabilities)</b>	<u>850</u>	<u>77</u>	<u>(28,069)</u>	<u>(28,440)</u>	<u>-</u>	<u>29</u>
<b>Loss before tax – gain/(loss)</b>						
+1% change in interest rates	9	1	(281)	(284)	-	-
- 1% change in interest rates	(9)	(1)	281	284	-	-

#### Price risk

The Company is not exposed to other price risks apart from interest rate and foreign exchange risk, disclosed above.

#### Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to recognised third parties. There are policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. In addition, receivable balances are monitored on an ongoing basis to limit the Company's exposure to bad debts by taking into account the customer's financial position, past experience and other factors. The Company has policies that limit the amount of credit exposure to any one financial institution. There are no significant concentrations of credit risk within the Company and no credit limits were exceeded during the reporting period. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 16. Financial risk management (continued)

##### Liquidity and funding

The Company is financed through a mix of equity share capital, long-term shareholder finance and Group borrowings. Full details are given in notes 16 and 20 to the Accounts. The Company's liquidity risk management policy requires that sufficient cash is maintained to meet short-term funding requirements. The following table summarises the ageing of the Company's liquidity risk on a gross basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. These are all undiscounted cash flows:

	Amounts owed to other Damovo Group Companies £'000	Accounts payable £'000	Accruals £'000	Finance leases £'000	Total £'000
Less than 3 months	2,495	3,395	1,007	6	6,903
Between 3 and 6 months	-	-	56	6	62
Between 6 and 12 months	9,695	-	35	12	9,742
Between 1 and 5 years	-	-	239	26	265
Over 5 years	16,035	-	-	-	16,035
<b>As at 31 January 2014</b>	<b>28,225</b>	<b>3,395</b>	<b>1,337</b>	<b>50</b>	<b>33,007</b>

	Amounts owed to other Damovo Group Companies £'000	Accounts payable £'000	Accruals £'000	Finance leases £'000	Total £'000
Less than 3 months	2,645	2,707	1,365	15	6,732
Between 3 and 6 months	-	166	105	15	286
Between 6 and 12 months	-	137	110	29	276
Between 1 and 5 years	9,862	146	9	65	10,082
Over 5 years	16,470	-	-	-	16,470
<b>As at 31 January 2013</b>	<b>28,977</b>	<b>3,156</b>	<b>1,589</b>	<b>124</b>	<b>33,846</b>



## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 16. Financial risk management (continued)

##### Capital risk management

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with other companies in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (Including 'borrowing' and 'trade and other payables' as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. The gearing ratios at 31 January 2014 and 2013 were as follows:

	2014 £'000	2013 £'000
Debt	25,730	26,332
Less: cash and cash equivalents	(1,056)	(767)
Net debt	24,674	25,565
Equity	13,984	17,567
Net debt to equity ratio	176%	146%

Debt is defined as long and short term borrowings as detailed in note 18.

Equity includes all capital and reserves of the Company that are managed as capital.

#### 17. Financing arrangements

The Company's financing arrangements fall into two categories:

- (1) Equity share capital, which is described in note 20; and
- (2) Loans from other Damovo Group companies.

	Group loans £'000
Non-current borrowings	
As at 1 February 2013	26,332
Repayment of loan	-
Interest capitalised	263
Additional borrowings	252
Foreign exchange movement	(1,117)
Transfer to current	(9,569)
As at 31 January 2014	16,161

During the year £9,569,000 of the Damovo Group borrowings which was due by 31 December 2014 moved to Short Term borrowings. Since 31 January 2014 it was formally agreed to extend the repayment date by 12 months to 31 December 2015.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 17. Financing arrangements (continued)

The foreign exchange movement is due to the strengthening of the Pound against the Euro during the year. The Group loan is denominated in Euros €31,347,000 (2013: €30,737,000). See note 16 for maturity of loan.

#### Financial liabilities

As at 31 January 2014, financial liabilities as defined by IAS 39 comprised borrowings, accounts payable and certain other creditors totalling £33,007,000 (2013: £33,846,000). Of this a total of £25,780,000 (2013: £26,456,000) is interest-bearing.

In accordance with the provisions of IAS 32, the carrying amounts and fair values of financing arrangements and their weighted average effective interest rates at the balance sheet date are set out below. The fair values have been calculated by discounting estimated future cash flows for each instrument using an interest rate that the directors' estimate would be available on similar instruments at the period end taking account of movements in market rates. The carrying amounts of accounts payable, accruals and other liabilities approximate their fair value due to the short maturity of these balances.

	Carrying amount £'000	Fair value £'000	Interest rate %
<b>As at 31 January 2014</b>			
Long-term group loans	20,816	20,816	12.400
Long-term group loan	4,914	4,914	5.400
Amounts payable under finance lease	50	50	6.000
	<u>25,780</u>	<u>25,780</u>	

#### Financial assets

As at 31 January 2014, financial assets as defined by IAS 39 comprised cash, accounts receivable and certain other debtors. The combined carrying value as at 31 January 2014 is £43,608,000 (2013: £48,665,000). Of this, £42,467,000 (2013: £47,488,000) approximated to fair market value due to its short period to maturity, cash of £1,056,000 (2013: £767,000) earns interest at an effective fixed interest rate of 0.5% (2013: 0.5%) and finance lease receivables of £85,000 (2013: £410,000) earns interest at an effective fixed interest rate of 6% (2013: 6%) at the period end.

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 18. Employee benefits

##### Pensions and other post-employment obligations

##### Defined contribution plan

The Group operates defined contribution pension plans for eligible employees. Contributions are paid by the member and/or the employer at fixed rates. The benefits secured at retirement or death reflect each employee's accumulated fund and the cost of purchasing benefits at that time. The charge for the year represents the employer's contribution, including accrued contributions at the balance sheet date. The charge to the statement of comprehensive income for defined contribution plans was £511,000 (2013: £559,000).

#### 19. Provisions

In common with most businesses, the Company is required to make estimates for certain liabilities and this note sets out the content of these provisions as at 31 January 2013 and 2014.

	<b>Restructuring provision</b>	<b>Loss making contract provision</b>	<b>Total</b>
As at 1 February 2012	171	2	173
Utilised during the period	(171)	(2)	(173)
Charged to statement of comprehensive income	309	39	348
<b>As at 31 January 2013</b>	<b>309</b>	<b>39</b>	<b>348</b>
As at 1 February 2013	309	39	348
Utilised during the period	(309)	(39)	(348)
Charged to statement of comprehensive income	-	119	119
<b>As at 31 January 2014</b>	<b>-</b>	<b>119</b>	<b>119</b>
		<b>2014</b>	<b>2013</b>
		<b>£'000</b>	<b>£'000</b>
Analysis of total provisions:			
Current		119	348

## Damovo UK Limited

### Notes to the accounts Year ended 31 January 2014

#### 20. Ordinary shares and share premium

	Ordinary shares £'000	Share premium £'000	Total £'000
As at 31 January 2013 and 2014	8,543	83,940	92,483

The authorised share capital comprises 8,543,208 (2013: 8,543,208) ordinary shares of £1 each.

#### 21. Reserves

The reserves of the Company are shown below and reflect the transactions shown in the statement of comprehensive income and statement of changes in equity.

	Retained loss £'000
As at 31 January 2012	(62,291)
Net loss for the year	(12,625)
As at 31 January 2013	(74,916)
Net loss for the year	(3,583)
As at 31 January 2014	(78,499)

#### 22. Commitments and contingencies

##### Capital commitments

	2014 £'000	2013 £'000
Equipment and fittings	-	-

##### Financial commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014		2013	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Within 1 year	291	247	267	249
Between 2 and 5 years	526	313	771	286
Over 5 years	-	-	-	-
	817	560	1,038	535

# Damovo UK Limited

## Notes to the accounts Year ended 31 January 2014

### 23. Cash generated from operations

	2014 £'000	2013 £'000
Loss before tax	(3,583)	(12,625)
Adjustments for non-cash amounts, or cash movements not shown elsewhere in the cash flow statement:		
- Depreciation and amortisation	170	219
- Impairment of goodwill	-	13,104
- Impairment of intercompany receivables	5,043	-
- Provision for bad debts	7	12
- Allowance for slow moving inventory	30	1
- Interest income	(1,593)	(1,733)
- Interest expense	1,822	2,193
	<u>1,896</u>	<u>1,171</u>
Effect on cash of changes in working capital		
- Inventory and work in progress	25	(43)
- Accounts receivable and other debtors	331	(779)
- Accounts payable and other creditors	(760)	2,224
- Provisions	(229)	175
	<u>1,263</u>	<u>2,748</u>
<b>Cash generated from operations</b>	<u>1,263</u>	<u>2,748</u>

### 24. Related party transactions

The Company purchases and sell goods and services from fellow subsidiary companies in the ordinary course of business. The value of transactions and balances outstanding are set out below.

	2014 £'000	2013 £'000
<b>Damovo Group companies</b>		
<b>Fellow subsidiaries</b>		
Sales of services during the period	1,684	1,328
Purchases of goods and services during the period	999	774
Receivable from fellow subsidiary companies	39,715	44,214
Payable to fellow subsidiary companies	<u>(28,225)</u>	<u>(28,977)</u>

### 25. Ultimate parent company

As at the accounts date Damovo Group Holdings Limited, domiciled in the Cayman Islands, was the ultimate parent company. The Company's accounts are included in the consolidated accounts established by Damovo Group Holdings Limited.

### 26. Post Balance Sheet events

On 31 October 2014 the Company signed a Set-Off and Subordination agreement with certain of those Group companies. Details are provided in note 14.