

Registrar's Copy

Data Continuity Group Limited

Report and Financial Statements

Year Ended

31 March 2013

Company Number 04295324

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Data Continuity Group Limited

**Report and financial statements
for the year ended 31 March 2013**

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Directors

R G Healey
M Peck
A Back

Registered office

Bridge House, 1 Brants Bridge, Bracknell, Berkshire, RG12 9BG

Company number

04295324

Auditors

BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire RG1 3EX

Data Continuity Group Limited

Report of the directors for the year ended 31 March 2013

The directors present their report together with the audited financial statements for the year ended 31 March 2013

Results and dividends

The profit and loss account is set out on page 5 and shows the loss for the year

Outlook

The year ending 31 March 2013 was very much a year of building the foundations for continued growth and improved service, support and project delivery to our customers

As observed in last year's Director's report the business focussed on new product delivery and successfully launched its category leading Cloud Disaster Recovery ("CDR") managed service offerings. During the financial year under review the Company's recurring revenues increased from 64% to 79% of all revenues

In the forthcoming financial year DCG will continue to focus on innovation to extend the product and service offerings. This will include improvements in the use of technology in the Service & Support Team to strengthen reporting and monitoring, an extended network, devise and storage monitoring offering and new Cloud offerings around storage and related applications (importantly archiving expected to launch in the third quarter of the year)

A main priority in the last quarter of the last financial year which will continue into the next financial year is to build on the performance and strength of the 3 core areas, business development, professional services and the service and support team. The board sees exciting prospects for continued growth in its remote service and cloud offerings

Underpinning the organic growth strategy supported by a strengthened team the business will continue to manage the financial resources of the business prudently and with continued focus on cash generation and re-investment

Principal activities

The principal activity of the company in the year under review was that of the provision of high availability electronic data and backup storage services

Directors

The directors of the company during the year were

J Harris	(resigned 6 February 2013)
R G Healey	
M Peck	(appointed 9 May 2012)
A Back	(appointed 9 January 2013)

Acquisition of own shares

During the year the company made fresh issue of shares for the purposes of a share buy-back as set out in note 12

Data Continuity Group Limited

Report of the directors for the year ended 31 March 2013 (continued)

Directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

This report of the directors has been prepared in accordance with the special provisions of the Companies Act 2006 relating to small companies and the Financial Reporting Standard for Smaller Entities (effective April 2008).

On behalf of the board



M Peck

Director

Date 14 May 2013

Data Continuity Group Limited

Independent auditor's report

TO THE MEMBERS OF DATA CONTINUITY GROUP LIMITED

We have audited the financial statements of Data Continuity Group Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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 statement of directors' responsibilities, 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 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller entities, 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Data Continuity Group Limited

Independent auditor's report (*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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime

BDO LLP

*Simon Brooker (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
Reading
United Kingdom*

Date *14 May 2013*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

Data Continuity Group Limited

Profit and loss account for the year ended 31 March 2013

	Note	2013 £	2012 £
Turnover	2	5,568,147	6,746,835
Cost of sales		<u>(3,514,655)</u>	<u>(4,447,786)</u>
Gross profit		2,053,492	2,299,049
Administrative expenses		<u>(1,924,181)</u>	<u>(1,812,843)</u>
Operating profit	4	129,311	486,206
Other interest receivable and similar income		-	-
Interest payable and similar charges		<u>(193,523)</u>	<u>(194,479)</u>
(Loss)/profit on ordinary activities before taxation		(64,212)	291,727
Taxation on (loss)/profit on ordinary activities	5	<u>-</u>	<u>150,226</u>
(Loss)/profit on ordinary activities after taxation		<u>(64,212)</u>	<u>441,953</u>

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 7 to 14 form part of these financial statements

Data Continuity Group Limited

Balance sheet at 31 March 2013

<i>Company number 04295324</i>	<i>Note</i>	2013 £	2013 £	2012 £	2012 £
Fixed assets					
Tangible assets	6		557,277		643,400
Fixed asset investments	7		-		6
			<hr/>		<hr/>
			557,277		643,406
Current assets					
Debtors	8	2,003,681		2,025,777	
Cash at bank and in hand		204,248		606,554	
		<hr/>		<hr/>	
		2,207,929		2,632,331	
Creditors, amounts falling due within one year	9	(2,255,679)		(2,744,164)	
		<hr/>		<hr/>	
Net current liabilities			(47,750)		(111,833)
			<hr/>		<hr/>
Total assets less current liabilities			509,527		531,573
Creditors: amounts falling due after more than one year	10		(1,777,465)		(1,732,398)
			<hr/>		<hr/>
Net liabilities			(1,267,938)		(1,200,825)
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	12		145,904		145,904
Share premium account	13		1,130,752		569,801
Profit and loss account	13		(2,544,594)		(1,916,530)
			<hr/>		<hr/>
Shareholders' deficit			(1,267,938)		(1,200,825)
			<hr/>		<hr/>

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime and the Financial Reporting Standard for Smaller Entities (effective April 2008)

The financial statements were approved by the Board of Directors and authorised for issue on 14 May 2013



M Peck
Director

The notes on pages 7 to 14 form part of these financial statements

Data Continuity Group Limited

Notes forming part of the financial statements for the year ended 31 March 2013

1 Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

The company's balance sheet shows total liabilities exceeding total assets at the balance sheet date by £1,267,938 (2012 - £1,200,825). The accounts have been prepared under the going concern principle as the directors have concluded that the company has sufficient reserves to pay its liabilities for the foreseeable future. This conclusion is supported by detailed cash flow and profit forecasts based on the following considerations and assumptions:

- The shareholder loan outstanding is £1,617,439 as at 31 March 2013 which is not due until November 2015
- The company has made a loss before tax in the year but has generated an EBITDA of £534,510 in the current financial year and is projected to make a positive EBITDA for the forthcoming financial year
- The company has an extensive list of corporate customers that are contracted with DCG

The following principal accounting policies have been applied

Cash flow statement

The Financial Reporting Standard for Smaller entities (effective April 2008) does not require the preparation of cash flow statement. Accordingly, the company has not prepared one.

Turnover

Turnover consists of the sales value of work done (excluding VAT) for goods and services supplied to third parties. Software support can be contracted to third parties and the policy is to recognise the income and costs over the term of the support contracts. Product sales are recognised at the point of delivery.

Depreciation

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates:

Motor vehicles	-	33 33% on cost
Plant, machinery and motor vehicles	-	33 33% on cost
Fixtures, fittings and equipment	-	33 33% on cost
Leasehold improvements	-	over the term of the lease

Foreign currency

Foreign currency transactions are translated into sterling at the exchange rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the exchange rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

Research costs

All research expenditure is written off to the profit and loss account as incurred.

Data Continuity Group Limited

Notes forming part of the financial statements for the year ended 31 March 2013 (*continued*)

1 Accounting policies (*continued*)

Taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief, and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met

Deferred tax balances are not discounted

Leased assets

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

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

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

2 Turnover

The proportion of turnover that is attributable to markets outside the United Kingdom was Nil% (2012 - Nil%)

3 Directors remuneration

	2013 £	2012 £
Aggregate emoluments, pension contributions and amounts receivable under long term incentive schemes	183,377	206,022

There was 1 (2012 - 2) director in the company's defined contribution pension scheme during the year. The aggregate of terminations payments payable to directors leaving in the year was £4,200. The aggregate fees payable to third parties for director services in the year was £167,005.

Data Continuity Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

4 Operating profit

	2013 £	2012 £
This has been arrived at after charging		
Depreciation of tangible fixed assets	415,178	332,516
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	15,500	12,500

5 Taxation on profit on ordinary activities

	2013 £	2012 £
UK Corporation tax		
Adjustment in respect of previous periods	-	(69,877)

6 Tangible fixed assets

	Leasehold Improvements £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
<i>Cost or valuation</i>					
At 1 April 2012	95,968	15,681	81,054	1,785,012	1,977,715
Additions	62,960	5,100	34,513	226,482	329,055
Disposals	(20,585)	-	(63,695)	(183,155)	(267,435)
At 31 March 2013	138,343	20,781	51,872	1,828,339	2,039,335
<i>Depreciation</i>					
At 1 April 2012	20,585	6,030	63,695	1,244,005	1,334,315
Provided for the year	28,090	8,844	14,438	363,806	415,178
Disposals	(20,585)	-	(63,695)	(183,155)	(267,435)
At 31 March 2013	28,090	14,874	14,438	1,424,656	1,482,058
<i>Net book value</i>					
At 31 March 2013	110,253	5,907	37,434	403,683	557,277
At 31 March 2012	75,383	9,651	17,359	541,007	643,400

Data Continuity Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

6 Tangible fixed assets (*continued*)

The net book value of, and depreciation charge for the year on, tangible fixed assets includes assets held under finance leases and hire purchase contracts as follows

	2013 £	2012 £
<i>Net book value</i>		
Plant and machinery etc	9,201	82,345
<i>Depreciation charged</i>		
Plant and machinery etc	66,026	88,782

7 Fixed asset investments

	Group undertakings £
<i>Cost of valuation</i>	
At 1 April 2012	6
Disposals	(6)
At 31 March 2013	-

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which the company's interest at the year end is 20% or more are as follows

	Country of incorporation or registration	Class of share capital held	Proportion of % share capital held	Nature of business
<i>Subsidiary undertakings</i>				
DCG Data Limited	UK	Ordinary	100%	Dormant
Datapoint Consulting Limited	UK	Ordinary	100%	Dormant
DCG Networking Limited	UK	Ordinary	100%	Dormant

During the year the company has proposed to liquidate its subsidiary undertakings and has written down the value of these investments at the year end to £Nil. The subsidiary undertakings at the year end date are deemed active with a proposal to strike off.

Data Continuity Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

8 Debtors

	2013 £	2012 £
Amounts receivable within one year		
Trade debtors	1,016,070	792,163
Other debtors	83,782	85,539
Corporation tax	-	80,349
Deferred costs	757,724	573,954
Prepayments and accrued income	19,667	229,610
	<u>1,877,243</u>	<u>1,761,615</u>
Amounts receivable after more than one year		
Other debtors	18,614	18,614
Prepayments and accrued income	-	19,107
Deferred costs	107,824	226,441
	<u>126,438</u>	<u>264,162</u>
Total debtors	<u>2,003,681</u>	<u>2,025,777</u>

9 Creditors: amounts falling due within one year

	2013 £	2012 £
Trade creditors	478,145	576,001
Taxation and social security	270,181	315,092
Obligations under finance lease and hire purchase contracts	4,558	78,078
Deferred income	1,051,649	977,296
Other creditors	10,645	3,379
Accruals	440,501	794,318
	<u>2,255,679</u>	<u>2,744,164</u>

Data Continuity Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

10 Creditors amounts falling due after more than one year

	2013 £	2012 £
Shareholder loans (secured)	1,617,439	1,504,341
Obligations under finance leases and hire purchase contracts	-	4,558
Deferred income	160,026	223,499
	<u>1,777,465</u>	<u>1,732,398</u>

The bank overdraft is secured by a debenture over the current and future assets of the company executed in the favour of National Westminster Bank Plc and guarantees have been given by P Wilks, J Harris (previous directors) for a total sum of £100,000, liability of which is on a joint and several basis

The Shareholder loans are secured by a debenture over the current and future assets of the company

Finance leases are secured by a debenture over the current and future assets of the company executed in favour of Lombard North Central Plc

11 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £21,087 (2012 - £21,418). Contributions amounting to £3,236 (2012 - £3,379) were payable to the fund and are included in other creditors.

12 Share capital

	2013 £	2012 £
<i>Allotted, called up and fully paid</i>		
14,590,400 shares of £0.01 each	145,904	145,904
110,591 Ordinary shares of £0.01 each	1,106	1,106
14,400,000 Deferred shares of £0.01 each	144,000	144,000
50,428 A Ordinary shares of £0.01 each	504	504
29,409 Preferred ordinary shares of £0.01 each	294	294
	<u>145,904</u>	<u>145,904</u>

During the year the company made a fresh issue of 85,408 ordinary shares for total consideration of £597,002 for the purposes of a share buy-back of 85,408 ordinary shares for total consideration of £597,002.

Data Continuity Group Limited

Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)

13 Reserves

	Share premium account £	Profit and loss account £
At 1 April 2012	569,801	(1,916,530)
Reclassification	53,748	(53,748)
Premium on shares issued during the year	510,104	(510,104)
Share issue costs	(2,901)	
Loss for the year		(64,212)
At 31 March 2013	1,130,752	(2,544,594)

14 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below

	Land and buildings 2013 £	Land and buildings 2012 £	Other 2013 £	Other 2012 £
Operating leases which expire				
Within one year	-	-	-	-
Between two – five years	-	-	6,732	-
More than five years	37,234	37,234	-	-

15 Related party transactions

Controlling parties

No overall control of the company rests with any shareholder or group of shareholders. The company is controlled by its shareholders collectively.

Loans and transactions concerning directors and officers of the company

R Healey, a director of DCG Group Limited, is a partner in Foresight Group LLC, a firm which charged £18,547 (2012 - £22,422) during the year for advisory services. At 31 March 2013 DCG Group Limited owed Foresight Group LLC £5,572 in fees (2012 - £5,399) and owed a related company balance of £1,617,439 (2012 - £1,504,341).

M Peck, a director of Data Continuity Group Limited is a director in Haruspex Partners Limited, a firm which charged £148,458 during the year for advisory services, of which £47,780 is included within accruals at 31 March 2013.

R Healey and M Peck are also directors of AlwaysOn Group Limited which transacts with DCG Group Limited through its trading company AlwaysOn Limited, of which R Healey is also a director. AlwaysOn Limited billed DCG Group Limited £40,522 during the year for services and was billed £2,578 by DCG Group Limited for services. At 31 March 2013 DCG Group Limited owed Always On Limited £9,170 and Always On Limited owed DCG Group Limited £679.

The transactions were on an arm's length basis.

Data Continuity Group Limited

**Notes forming part of the financial statements
for the year ended 31 March 2013 (*continued*)**

16 Share options and warrants

Share options were granted on 26 January 2007 to seven employees under an Enterprise Management Incentive Scheme, and to the non-executive chairman of the company, the total number of shares that can be issued under the scheme is 5,750 ordinary 1p shares, at the agreed exercise price of £5.05 per share. The options will cease if not exercised within 10 years of the grant date, or after employment is terminated, whichever occurs first.

17,851 warrants have been granted over 'A' Ordinary shares which can be exercised at 1p per share at any time prior to 30 September 2019.

13,942 warrants have been granted over 'A' Ordinary shares which can be exercised at 1p per share only on the specified event of a listing, a sale or a resolution to wind-up the company.

16,493 warrants have been granted over Preferred Ordinary shares which can be exercised at 1p per share at any time prior to a date on which the company obtained a listing, a sale or a resolution to wind up.