

Registered number: 06380200

altodigital Networks Limited

Annual Reports and Financial Statements

For the Period Ended 30 September 2017



altodigital Networks Limited

Company Information

Directors	J H Abrahart D Gibson E Polden M Chamberlain
Registered number	06380200
Registered office	Summit House Cherrycourt Way Leighton Buzzard Bedfordshire LU7 4UH
Independent auditors	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB
Bankers	Bank of Scotland plc
Solicitors	Knights 1759, Newcastle-under-Lyme Pinsent Masons LLP, London

altodigital Networks Limited

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Strategic Report For the Period Ended 30 September 2017

Business review

The company has extended its accounting period from 31 March to 30 September. The current financial period being reported is an 18 month period from 1 April 2016 to 30 September 2017, the comparative disclosure is a 12 month period from 1 April 2015 to 31 March 2016.

The directors are once again delighted to report financial growth with revenues increasing to £106.83 million in the period (31 March 2016: £64.88 million) whilst no single customer represents more than 2%-3% of those revenues. During the period we have continued to see the market become more competitive. In response to this, we have increased our efforts on customer satisfaction and retention via a Customer Experience Team as well as increasing our offering to them of other products and services. Although the core of the business continues to be the sales and maintenance of office and digital printing equipment, the professional services division continues to grow, and we expect this trend to continue over the next few years.

Professional Services is centered around IT Support, including disaster recovery and wi-fi solutions, business communications, information and document management. We firmly believe that growing this part of the business will allow us to further push into areas that suit our business model. We will continue to invest heavily in the unified comms sector and attain all associated accreditations to compliment our excellent and existing service and support. This includes significant investment towards ISO 27001 accreditation. Our market and services will continue to improve with R&D and AI, remote fix and IoT technologies.

During the period the company acquired Pro-Copy Limited and since the acquisition its staff have successfully integrated into the Alto team. Pro-Copy brought a host of new products and customers from their base in Wales, further extending Alto's national footprint.

We have now concentrated most of our back-office support functions in the Midlands leaving the regional offices free to service the needs of our customers whilst achieving greater efficiencies and longer-term cost reductions.

During the period, to facilitate the return of James Abrahart into active management of the company, dividends of £13.50m were declared in his favour. In previous years, altodigital had operated an annual dividend policy to Mr Abrahart at much lower levels. James reintroduced most of these dividends as a non-current liability on the Balance Sheet. This extraordinary dividend explains the adverse movement in Net Assets. However, altodigital will therefore not be declaring any new dividends in the near future but will instead be paying down this loan when cash flow comfortably allows.

Included in the Statement of Comprehensive Income are items we consider to be exceptional from our day-to-day business, details of which are set out in note 5.

The directors would like to take the opportunity to thank our customers, suppliers and other business partners for helping to support our growth and a special thanks to all our excellent staff, without whom we would not be able to continue to deliver the excellent level of service our customers demand.

altodigital Networks Limited

Strategic Report (continued) For the Period Ended 30 September 2017

Principal risks and uncertainties

The principal risk facing the business relates to the highly competitive marketplace and changing print management needs and demands of our current and future customers. Copy margins are being tightened all the time, but we remain agile enough with our cost base to be able to deal with this effectively.

Through formal and informal dialogue with customer groups, and market review, we are constantly working to ensure that we are well placed to support our customers as the market moves towards a more solution based transaction and less of a hardware driven transaction.

The market is highly competitive, and we work hard to ensure that we are able to provide an excellent service at a competitive price, whilst keeping our core integrity with our suppliers and customers. We are also very lucky to have a loyal and committed team at Altodigital, allowing us to create the opportunity to continue to grow the business as we have done in recent years.

Key performance indicators

The directors monitor the business performance on a daily and monthly basis to ensure customers continue to receive an outstanding service at the same time as the business continues to meet growth, profit and liquidity targets.

Key indicators for the most recent two financial periods show the following:

	2016/17	2015/16
Turnover (£m)	106.83	64.88
Adjusted EBITDA (£m)	6.79	5.19
Average number of employees	492	446

The directors are very pleased with the performance achieved during the financial period and see no reason why these positive trends should not continue during the current financial year.

The Net Current Assets of the company have increased from the previous period, with an underlying growth in Net Assets when excluding the exceptional dividend declared. We have seen an increase in stock conversion to cash and our trade debtors have remained in line with the previous period despite the increased levels of turnover. The directors are happy that the Net Assets of the company are in an extremely healthy position and with no further dividends to be declared, we will see this position continue to strengthen.

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**Strategic Report (continued)
For the Period Ended 30 September 2017**

Financial risk management objectives and policies

The company uses various financial instruments which include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments expose the company to a number of financial risks, which are described in more detail below:

Liquidity risk

The company seeks to manage liquidity risk by ensuring that sufficient cash resources are available to meet foreseeable needs. Short term flexibility is achieved by the use of overdraft facilities. The maturity of borrowings is set out in note 20.

Interest rate risk

The company finances its operations through a mixture of retained profits and borrowings. The company is exposed to interest rate increases as all borrowings are at variable rates of interest. At times of interest rate volatility, hedging and/or rate capping is considered.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk therefore arises from debtors which is managed through a diversified customer base meaning that no one customer represents a significant proportion of the company's trade.

This report was approved by the board on 28 June 2018 and signed on its behalf.

E Polden
Director



altodigital Networks Limited

**Directors' Report
For the Period Ended 30 September 2017**

The directors present their report and the financial statements for the period ended 30 September 2017.

Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Results and dividends

The profit for the period, after taxation, amounted to £672,169 (Year ended 31 March 2016: £1,362,110).

The company has declared dividends of £13,500,000 (Year ended 31 March 2016: £1,320,000) during the period.

Directors

The directors who served during the period were:

J H Abrahart
D Gibson
E Polden
M Chamberlain

Future developments

As the market continues to evolve, we consider we are exceptionally well-placed to continue to deliver solutions to our current and future customer base utilising the growing range of services and skills that we can offer.

altodigital Networks Limited

**Directors' Report (continued)
For the Period Ended 30 September 2017**

Employee involvement

The company has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the company.

This is achieved through regular email communication and meetings.

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the company's policy where practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees where appropriate.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Post balance sheet events

Following the year end, the group purchased a new subsidiary undertaking for consideration of £700,000.

Auditors

Grant Thornton UK LLP resigned from office during the year and Moore Stephens LLP were appointed in their place. Moore Stephens LLP have indicated their willingness to continue in office for the ensuing year.

This report was approved by the board on 28 June 2018 and signed on its behalf.



E Polden
Director

altodigital Networks Limited

Independent Auditors' Report to the Members of altodigital Networks Limited

We have audited the financial statements of altodigital Networks Limited for the 18 month period ended 30 September 2017, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

Respective responsibilities of Directors and Auditors

As explained more fully in the Directors' Responsibilities Statement on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council'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 Strategic Report and 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 30 September 2017 and of its profit for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements and such reports have been prepared in accordance with applicable legal requirements.

altodigital Networks Limited

Independent Auditors' Report to the Members of altodigital Networks Limited (continued)

Matters on which we are required to report by exception

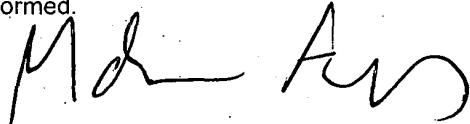
In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

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.

Use of our report

This report is made solely to the company's shareholders, 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 shareholders those matters we are required to state to them in an Auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.



Mark Ayres (Senior Statutory Auditor)

for and on behalf of
Moore Stephens LLP

Statutory Auditor

150 Aldersgate Street
London
EC1A 4AB

Date:

28 June 2018

altodigital Networks Limited

**Statement of Comprehensive Income
For the Period Ended 30 September 2017**

	Note	18 months ended 30 September 2017 £	As restated Year ended 31 March 2016 £
Turnover	4	106,829,745	64,875,943
Cost of sales		(59,049,360)	(34,351,630)
Gross profit		47,780,385	30,524,313
Administrative expenses		(45,651,446)	(28,025,514)
Adjusted EBITDA		6,794,381	5,194,397
Exceptional items	5	(470,389)	-
Depreciation	5	(486,653)	(303,904)
Amortisation	5	(3,708,400)	(2,391,694)
Operating profit	5	2,128,939	2,498,799
Interest payable and similar charges	9	(387,577)	(219,071)
Profit before tax		1,741,362	2,279,728
Tax on profit	10	(1,069,193)	(917,618)
Profit for the financial period		672,169	1,362,110

There was no other comprehensive income for the period ended 30 September 2017 (Year ended 31 March 2016: £Nil).

The notes on pages 13 to 36 form part of these financial statements.

altodigital Networks Limited
Registered number: 06380200

Statement of Financial Position
As at 30 September 2017

	Note	30 September 2017 £	30 September 2017 £	31 March 2016 £	31 March 2016 £
Fixed assets					
Intangible assets	12		16,026,657		18,139,621
Tangible assets	13		612,095		1,047,425
Investments	14		-		-
			<u>16,638,752</u>		<u>19,187,046</u>
Current assets					
Stocks	15	4,704,098		5,038,962	
Debtors	16	15,763,114		12,094,490	
Cash at bank and in hand	17	3,706,589		4,621,712	
		<u>24,173,801</u>		<u>21,755,164</u>	
Creditors: amounts falling due within one year	18	(23,217,513)		(21,511,266)	
Net current assets			<u>956,288</u>		<u>243,898</u>
Total assets less current liabilities			<u>17,595,040</u>		<u>19,430,944</u>
Creditors: amounts falling due after more than one year	19		(14,496,691)		(5,923,750)
Provisions for liabilities					
Deferred tax	22		-		(4,944)
Other provisions	23		(37,350)		-
Net assets			<u><u>3,060,999</u></u>		<u><u>13,502,250</u></u>
Capital and reserves					
Share capital	24		10,827		10,827
Capital reserve	25		2,386,580		-
Retained earnings	25		663,592		13,491,423
			<u><u>3,060,999</u></u>		<u><u>13,502,250</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 28 June 2018.

E Polden
Director

The notes on pages 13 to 36 form part of these financial statements.

altodigital Networks Limited

**Statement of Changes in Equity
For the Period Ended 30 September 2017**

	Share capital £	Capital reserves £	Retained earnings £	Total equity £
At 1 April 2015	10,827	-	13,449,313	13,460,140
Comprehensive income for the year				
Profit for the year	-	-	1,362,110	1,362,110
Total comprehensive income for the year	-	-	1,362,110	1,362,110
Dividends: Equity capital (note 11)	-	-	(1,320,000)	(1,320,000)
Total transactions with owners	-	-	(1,320,000)	(1,320,000)
At 1 April 2016	10,827	-	13,491,423	13,502,250
Comprehensive income for the period				
Profit for the period	-	-	672,169	672,169
Total comprehensive income for the period	-	-	672,169	672,169
Dividends: Equity capital (note 11)	-	-	(13,500,000)	(13,500,000)
Capital contribution (note 20)	-	2,386,580	-	2,386,580
Total transactions with owners	-	2,386,580	(13,500,000)	(11,113,420)
At 30 September 2017	10,827	2,386,580	663,592	3,060,999

altodigital Networks Limited

**Statement of Cash Flows
For the Period Ended 30 September 2017**

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Cash flows from operating activities		
Profit for the financial period	672,169	1,362,110
Adjustments for:		
Amortisation of intangible assets	3,708,400	2,391,694
Depreciation of tangible assets	486,653	300,642
Gain on disposal of tangible assets	(174,945)	-
Interest paid	387,577	219,071
Taxation charge	1,069,193	917,618
Decrease in stocks	529,364	668,112
(Increase) in debtors	(2,896,793)	(790,752)
(Decrease) in creditors	(767,314)	(2,578,618)
Increase in provisions	37,350	-
Corporation tax (paid)	(1,260,234)	(867,994)
Net cash generated from operating activities	1,791,420	1,621,883
Cash flows from investing activities		
Purchase of intangible fixed assets	-	(239,386)
Purchase of tangible fixed assets	(352,885)	(309,616)
Proceeds from sale of tangible fixed assets	511,107	-
Acquisition of subsidiaries	(2,678,436)	(1,681,208)
Net cash acquired with subsidiary undertaking	717,700	-
Net cash used in investing activities	(1,802,514)	(2,230,210)

altodigital Networks Limited

**Statement of Cash Flows (continued)
For the Period Ended 30 September 2017**

	30 September 2017 £	31 March 2016 £
Cash flows from financing activities		
New secured loans	2,700,000	1,600,000
Repayment of loans	(1,094,001)	(875,000)
Repayment of other loans	(1,399,566)	(9,846)
Equity dividends paid (note 11)	(750,000)	(1,115,000)
Interest paid	(360,462)	(219,071)
Net cash used in financing activities	<u>(904,029)</u>	<u>(618,917)</u>
Net decrease in cash and cash equivalents	<u>(915,123)</u>	<u>(1,227,244)</u>
Cash and cash equivalents at beginning of period	4,621,712	5,848,956
Cash and cash equivalents at the end of period	<u><u>3,706,589</u></u>	<u><u>4,621,712</u></u>
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	<u><u>3,706,589</u></u>	<u><u>4,621,712</u></u>

The notes on pages 13 to 36 form part of these financial statements.

Dividends of £12,750,000 were settled via a non cash transaction through directors loan accounts and are therefore included within other loans within creditors (see note 20).

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

1. General information

Altodigital Networks Limited is a private company, limited by shares, incorporated in England.

Its registered office is Summit House, Cherry Court Way, Leighton Buzzard, Bedfordshire, LU7 4UH and its registered number is 06380200.

The principal activity of the company is the sale of office equipment and printing solutions.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The company has extended its accounting period from 31 March to 30 September. The current financial period being reported is an 18 month period from 1 April 2016 to 30 September 2017, the comparative disclosure is a 12 month period from 1 April 2015 to 31 March 2016.

The company has taken advantage of section 402 and 405 of the Companies Act 2006 and has therefore not consolidated any of its dormant subsidiary undertakings in these financial statements. These financial statements contain information on the company only.

The following principal accounting policies have been applied:

2.2 Going concern

The company has sufficient cash resources and available funding options from external sources which leave it well placed to manage its business risk successfully despite the current uncertain economic outlook. Forecasts prepared by the directors indicate that the company will continue to trade profitably for a period of at least 12 months from the signing of these financial statements. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. In consideration of the above, the company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the company has transferred the significant risks and rewards of ownership to the buyer;
- the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

Revenue from arrangements with customers that are classified as "Back2Back" contracts are recognised at the point at which the income is invoiced to the end user. No margin is recognised on these contracts.

2.4 Intangible assets

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

2. Accounting policies (continued)

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property improvements	- Over the life of the lease
Motor vehicles	- 20-35% straight line
Fixtures, fittings	- 10-33% straight line
Computer equipment	- 10-33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Comprehensive Income.

2.6 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

2. Accounting policies (continued)

2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the company's cash management.

2.10 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

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**Notes to the Financial Statements
For the Period Ended 30 September 2017**

2. Accounting policies (continued)

2.12 Foreign currency translation

Functional and presentation currency

The company's functional and presentation currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.14 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.15 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 1 April 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

2.17 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made included:

Impairment of goodwill

The company tests, on an annual basis, whether goodwill has suffered any impairment. The impairment testing is based on past experience and future expectations in light of anticipated customer loss and the related future cash flows. At the end of the year no impairment loss had been incurred.

Provision for irrecoverable debts

The company assesses its trade receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in the profit and loss account, the company makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from trade receivables.

Stock provisioning

In determining the net realisable value of stock, management takes into account historic sales data available at the date the estimates are made. The company provides for any obsolete and slow moving stock.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

4. Turnover

An analysis of turnover by class of business is as follows:

	18 months ended 30 September 2017 £	<i>As restated Year ended 31 March 2016 £</i>
Sale of goods	57,686,787	33,446,217
Rendering of services	49,142,958	31,429,726
	<u>106,829,745</u>	<u>64,875,943</u>

All turnover arose within the United Kingdom.

During the period the company changed the way that it reports revenue and cost of sales in respect of a certain type of lease agreement. Previously no revenue or cost of sales were recognised as these contracts carry no margin. The adjustment has been made to gross up the revenue and cost of sales in relation to these contracts, which has resulted in a restatement of comparatives for the year end 31 March 2016. The total increase in sales and cost of sales for the 18 months ended 30 September 2017 was £7.50m (Year ended 31 March 2016: £3.11m).

5. Operating profit

The operating profit is stated after charging:

	18 months ended 30 September 2017 £	<i>Year ended 31 March 2016 £</i>
Depreciation of tangible fixed assets	486,653	300,642
Amortisation of intangible assets, including goodwill	3,708,400	2,391,694
(Gain)/Loss on disposal of fixed assets	(174,945)	430
Fees payable to the company's auditor	59,350	55,250
Exchange differences	7,195	-
Operating lease charges - land and buildings	1,054,778	890,869
Operating lease charges - other	1,566,374	1,450,170
Defined contribution pension cost	360,094	329,335
Exceptional administrative expenses	<u>470,389</u>	<u>-</u>

Exceptional administrative expenses of £470,389 relates to one off costs that were incurred during the period in respect of dilapidation costs, back office restructuring and contract resolutions.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

6. Auditors' remuneration

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Fees payable to the company's auditor for the audit of the company's annual financial statements	<u>51,000</u>	<u>45,500</u>
Fees payable to the company's auditor in respect of:		
Other services relating to taxation	<u>8,350</u>	<u>9,750</u>

7. Employees

Staff costs, including directors' remuneration, were as follows:

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Wages and salaries	26,718,567	15,448,675
Social security costs	2,746,716	1,658,309
Cost of defined contribution scheme	360,094	329,335
	<u>29,825,377</u>	<u>17,436,319</u>

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

	18 months ended 30 September 2017 No.	Year ended 31 March 2016 No.
Sales	196	164
Service	210	202
Administration	86	80
	<u>492</u>	<u>446</u>

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

8. Directors' remuneration

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Directors' emoluments	661,505	870,881
Company contributions to defined contribution pension schemes	20,079	4,800
	<u>681,584</u>	<u>875,681</u>

During the period retirement benefits were accruing to 3 directors (Year ended 31 March 2016: 1) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £248,851 (Year ended 31 March 2016: £340,558).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £6,690 (year ended 31 March 2016: £4,800).

9. Interest payable and similar charges

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Bank interest payable	360,462	189,491
Other loan interest payable	27,115	29,580
	<u>387,577</u>	<u>219,071</u>

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

10. Taxation

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Corporation tax		
Current tax on profits for the year	1,100,542	950,470
Adjustments in respect of previous periods	-	(8,996)
Total current tax	1,100,542	941,474
Deferred tax		
Origination and reversal of timing differences	(10,299)	(9,321)
Changes to tax rates	275	(1,585)
Adjustments in respect of previous periods	(21,325)	(12,950)
Total deferred tax	(31,349)	(23,856)
Taxation on profit on ordinary activities	1,069,193	917,618

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

10. Taxation (continued)

Factors affecting tax charge for the period

The tax assessed for the period is higher than (2016 - *higher than*) the standard rate of corporation tax in the UK of 19.67% (2016: 20%). The differences are explained below:

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Profit on ordinary activities before tax	1,741,362	2,279,728
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.67% (2016 - 20%)	342,526	455,946
Effects of:		
Expenses not deductible for tax purposes	747,030	478,184
Adjustments to tax charge in respect of prior periods	(21,325)	(8,996)
Other timing differences leading to an increase (decrease) in taxation	962	(7,516)
Total tax charge for the period	1,069,193	917,618

Factors that may affect future tax charges

The UK corporation tax rate will reduce to 17% by 2020.

11. Dividends

	18 months ended 30 September 2017 £	Year ended 31 March 2016 £
Dividends on equity capital	13,500,000	1,320,000

Dividends of £12,750,000 were settled via a non cash transaction through directors loan accounts and are therefore included within other loans within creditors (see note 20).

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

12. Intangible assets

	Goodwill £	Software £	Investments hived up £	Total £
Cost				
At 1 April 2016	9,809,987	301,044	14,121,029	24,232,060
Additions	1,595,436	-	-	1,595,436
At 30 September 2017	11,405,423	301,044	14,121,029	25,827,496
Amortisation				
At 1 April 2016	4,209,635	-	1,882,804	6,092,439
Charge for the period	2,296,297	-	1,412,103	3,708,400
At 30 September 2017	6,505,932	-	3,294,907	9,800,839
Net book value				
At 30 September 2017	4,899,491	301,044	10,826,122	16,026,657
At 31 March 2016	5,600,352	301,044	12,238,225	18,139,621

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

13. Tangible fixed assets

	Leasehold property & improvements £	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation				
At 1 April 2016	824,337	47,010	1,134,494	2,005,841
Additions	-	-	352,885	352,885
Acquisition of subsidiary	-	7,510	27,090	34,600
Disposals	(345,000)	-	-	(345,000)
At 30 September 2017	479,337	54,520	1,514,469	2,048,326
Depreciation				
At 1 April 2016	240,920	39,975	677,521	958,416
Charge for the period	48,178	10,989	427,486	486,653
Disposals	(8,838)	-	-	(8,838)
At 30 September 2017	280,260	50,964	1,105,007	1,436,231
Net book value				
At 30 September 2017	199,077	3,556	409,462	612,095
At 31 March 2016	583,417	7,035	456,973	1,047,425

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

14. Fixed asset investments

	Investments in subsidiary companies £
Additions	2,678,436
Transfers	(2,678,436)
At 30 September 2017	

The investment cost has been transferred following the hive up of trade and assets (note 26) immediately after the acquisition. As all investments held remain dormant the investment value is £Nil.

Subsidiary undertakings

The following were dormant subsidiary undertakings of the company:

Name	Class of shares	Holding
Alt-P Limited	Ordinary	100 %
Altodigital Holdings Limited	Ordinary	100 %
Altodigital UK Limited	Ordinary	100 %
Datadene Limited	Ordinary	100 %
C B S Central Limited	Ordinary	100 %
CF Systems U.K. Limited	Ordinary	100 %
Fusion Business Systems Limited	Ordinary	100 %
Fusion Business Services Limited	Ordinary	100 %
Hi-Tech Business Machines Limited	Ordinary	100 %
Independent Document Systems Limited	Ordinary	100 %
Pro-Copy Limited	Ordinary	100 %
Quadtronix Business Systems Limited	Ordinary	100 %
Tech Central London Ltd	Ordinary	100 %
Techcentral Services Limited	Ordinary	100 %
Three Counties Business Machines Limited	Ordinary	100 %
West Ham (USA) Limited	Ordinary	100 %

All subsidiary undertakings are incorporated in England and Wales and are domiciled in England. They all also have a registered office of Summit House, Cherrycourt Way, Leighton Buzzard, Bedfordshire, LU7 4UH.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

15. Stocks

	30 September 2017 £	31 March 2016 £
Raw materials and consumables	3,626,593	3,309,512
Finished goods and goods for resale	1,077,505	1,729,450
	<u>4,704,098</u>	<u>5,038,962</u>

Stock recognised in cost of sales during the period as an expense was £59,384,224 (Year ended 31 March 2016: £27,089,320).

16. Debtors

	30 September 2017 £	31 March 2016 £
Trade debtors	9,279,639	9,265,098
Amounts owed by group undertakings	1,491,464	135,448
Other debtors	1,974,608	1,965,684
Prepayments	769,954	728,260
Accrued income	2,221,044	-
Deferred taxation (note 22)	26,405	-
	<u>15,763,114</u>	<u>12,094,490</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

17. Cash and cash equivalents

	30 September 2017 £	31 March 2016 £
Cash at bank and in hand	<u>3,706,589</u>	<u>4,621,712</u>

Included within cash at bank and in hand is £299,099 which has been pledged as security as part of a fixed charge debenture.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

18. Creditors: Amounts falling due within one year

	30 September 2017 £	31 March 2016 £
Bank loans (note 20)	900,000	875,000
Other loans (note 20)	2,000,000	973
Trade creditors	13,937,711	14,212,952
Amounts owed to group undertakings	1,217,707	-
Corporation tax	408,706	568,398
Other taxation and social security	1,501,145	1,392,258
Other creditors	1,347,341	1,220,114
Accruals	1,558,818	2,773,249
Deferred income	346,085	468,322
	<u>23,217,513</u>	<u>21,511,266</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

19. Creditors: Amounts falling due after more than one year

	30 September 2017 £	31 March 2016 £
Bank loans	5,174,749	3,593,750
Other loans	9,321,942	2,330,000
	<u>14,496,691</u>	<u>5,923,750</u>

Details of security and repayment terms of bank and other loans is disclosed in note 20.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

20. Loans

Analysis of the maturity of loans is given below:

	30 September 2017 £	31 March 2016 £
Bank loans		
Bank loans	900,000	875,000
Other loans	2,000,000	973
	<u>2,900,000</u>	<u>875,973</u>
Amounts falling due 1-2 years		
Bank loans	900,000	3,593,750
Other loans	3,884,026	2,330,000
	<u>4,784,026</u>	<u>5,923,750</u>
Amounts falling due 2-5 years		
Bank loans	4,274,749	-
Other loans	4,288,984	-
	<u>8,563,733</u>	<u>-</u>
Amounts falling due after more than 5 years		
Other loans	1,148,932	-
	<u>1,148,932</u>	<u>-</u>
	<u>17,396,691</u>	<u>6,799,723</u>

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

20. Loans (continued)

Secured loans

Bank loans are repayable in equal quarterly instalments to April 2021. Interest accrues on a daily basis at a rate of LIBOR plus 2.85% The bank loans are secured by a fixed and floating charge over the assets of the company.

Included within current and non-current other loans is £11,625,000 repayable to J H Abrahart, a director (2016: £nil). This balance is interest free and will be fully repaid no earlier than 2023. The balance has been initially included at an amortised value of £9,223,630 assuming a discount rate of 12% over a period of 6 years. The difference was, in accordance with FRS 102, credited to a capital reserve. The balance is unsecured.

Also included within other loans is £330,000 (2016: £330,000) repayable to J H Abrahart, repayable on demand after 12 months. The balance is secured by a fixed and floating debenture over all assets of the company.

Also included within other loans is £1,768,312 (2017: £Nil) which is secured by a fixed and floating charge over all the assets of the company.

21. Financial instruments

	30 September 2017 £	31 March 2016 £
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>18,673,344</u>	<u>15,987,942</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(35,458,268)</u>	<u>(25,006,038)</u>

Financial assets measured at amortised cost comprise cash, trade and other debtors, amounts owed by group undertakings and accrued income.

Financial Liabilities measured at amortised cost comprise trade and other creditors, amounts owed to group undertakings, bank and other loans and accruals.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

22. Deferred taxation

	2017 £	2016 £
At beginning of the period	(4,944)	(28,800)
Charged to profit or loss	31,349	23,856
At end of the period	26,405	(4,944)

The deferred taxation balance is made up as follows:

	30 September 2017 £	31 March 2016 £
Accelerated capital allowances	6,375	(8,336)
Tax losses carried forward	20,030	3,392
	26,405	(4,944)

The deferred tax asset as at 30 September 2017 is included within debtors.

23. Other provisions

	Dilapidation provisions £
Charged to profit or loss	37,350
At 30 September 2017	37,350

altdigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

24. Share capital

	30 September 2017 £	31 March 2016 £
Shares classified as equity		
Authorised		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid		
10,827 Ordinary shares of £1 each	<u>10,827</u>	<u>10,827</u>

Ordinary shares carry full dividend and voting rights and rights to distribution on winding up.

25. Reserves

Capital reserve

Other reserves include cumulative fair value adjustments made in respect of interest free loans made to a director. Further details can be found in note 20.

Retained earnings

Retained earnings includes all current and prior period retained profits and losses, including distributions to/from owners.

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

26. Business combinations

Acquisition of Pro-Copy Limited

On 1 June 2016 the company purchased 100% of the issued share capital of Pro-Copy Limited, a company incorporated in England and Wales. As at this date the fair value of the net assets acquired were as follows:

	Book value £	Fair value £
Tangible	34,600	34,600
	<u>34,600</u>	<u>34,600</u>
Stocks	194,500	194,500
Debtors	749,000	749,000
Cash at bank and in hand	717,700	717,700
	<u>1,695,800</u>	<u>1,695,800</u>
Total assets	1,695,800	1,695,800
Creditors due within one year	(612,800)	(612,800)
	<u>1,083,000</u>	<u>1,083,000</u>
Fair value of net assets	1,083,000	1,083,000
Goodwill	1,595,436	1,595,436
	<u>2,678,436</u>	<u>2,678,436</u>
Total purchase consideration	2,678,436	2,678,436
	<u>2,678,436</u>	<u>2,678,436</u>
Purchase consideration settled in cash, as above	2,678,436	2,678,436
	<u>2,678,436</u>	<u>2,678,436</u>
Cash outflow on acquisition	2,678,436	2,678,436

Following the acquisition, the trade and assets of Pro-Copy Limited were hived into the company. It is the intention that Pro-Copy Limited will continue as a dormant entity going forward.

27. Pension commitments

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £360,094 (*Year ended 31 March 2016: £329,335*) for the period. Contributions totalling £Nil (*Year ended 31 March 2016: £Nil*) were payable to the fund at the reporting date.

altodigital Networks Limited

Notes to the Financial Statements
For the Period Ended 30 September 2017

28. Commitments under operating leases

At 30 September 2017, the company had future minimum lease payments under non-cancellable property and motor vehicle operating leases as follows:

	30 September 2017 £	31 March 2016 £
Not later than 1 year	1,289,382	1,304,683
Later than 1 year and not later than 5 years	2,064,391	2,830,523
Later than 5 years	77,570	535,634
	<u>3,431,343</u>	<u>4,670,840</u>

29. Related party transactions

During the year, the company rented premises from a business partly owned by director J H Abrahart. Rent paid during the period was £253,028 (*Year ended 31 March 2016: £158,646*).

Global Image Sports (GIS) is incorporated in the USA and owned by J H Abrahart. The company recharged expenses of £125,245 (*Year ended 31 March 2016: £71,346*) to GIS. At 30 September 2017 £Nil balance was outstanding (*31 March 2016: £138,068 was due from GIS*).

Included within other loans at 30 September 2017 is £330,000 (*31 March 2016: £330,000*) owed to J H Abrahart by the company. Interest was paid on the loan during the period of £27,115 (*Year ended 31 March 2016: £29,580*).

Also included within other loans at 30 September 2017 is £11,625,000 (*31 March 2016: £Nil*) owed to J H Abrahart by the company. The terms of this loan are set out in note 20.

An interest free loan was made to D Gibson, a director of the company. The outstanding balance as at 30 September 2017 was £60,000 (*Year ended 31 March 2016: £5,000*).

An interest free loan was made to E Polden, a director of the company, in the prior year. The outstanding balance as at 30 September 2017 was £5,000 (*Year ended 31 March 2016: £47,000*).

Amounts payable to Key Management Personnel in respect of their remuneration during the period amounted to £1,612,885 (*Year ended 31 March 2016: £1,210,219*).

30. Post balance sheet events

Following the year end, the group purchased a new subsidiary for consideration of £700,000.

altodigital Networks Limited

**Notes to the Financial Statements
For the Period Ended 30 September 2017**

31. Controlling party

On 4 April 2017, 100% of the shares owned by J H Abrahart were transferred to Altodigital Managed Services Ltd. Since this date Altodigital Managed Services Ltd is the immediate and ultimate parent company.

J H Abrahart continues to be the ultimate controlling party by virtue of his majority shareholding in the ultimate parent company.