

Bak2 Group Limited

Annual Report and Financial Statements

For the year ended 30 June 2016

Bak2 Group Limited

Company Information

Directors	G Dumoulin J L Laccourreye
Company number	06541590
Registered office	Orbital House 20 Eastern Road Romford Essex RM1 3PJ
Auditors	Kingston Smith LLP Orbital House 20 Eastern Road Romford Essex RM1 3PJ

Bak2 Group Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditors' report	5 - 6
Consolidated profit and loss account	7
Group balance sheet	8
Company balance sheet	9
Group statement of changes in equity	10
Company statement of changes in equity	11
Consolidated statement of cash flows	12
Notes to the financial statements	13 - 28

Bak2 Group Limited

Strategic Report

For the year ended 30 June 2016

The directors present the strategic report and financial statements for the year ended 30 June 2016.

Fair review of the business

The principal activity of the group is that of the distribution and servicing of mobile phones and related equipment.

During 2016 Bak2 Group continued to develop its service offering to the mobile telecoms sector by diversifying and enhancing its service offering and reduce its reliance on mobile phone trading activities.

The benefits of the new service offering will be seen in the following years as the business moves towards generating a far greater percentage of its income from more sustainable and predictable value added services.

2016 was a transitional year for the business. The group has made two significant strategic changes that should have a significant and positive impact upon the trading results for the 2017 year end and beyond. These are :-

- Successfully entering into the insurance fulfilment market, which will enable the group to deliver sustainable and predictable income and margin
- Terminating a significant Trade in relationship. This contract and unreasonable cash demands had a significant and negative effect on the results for the previous twenty four months.

Coupled with the above, the group has made significant savings in both IT and service delivery overheads. The impact of the above factors is clearly demonstrated within the post year end management accounts. We are confident that the changes undertaken in the year have placed us in a good position to take advantage of the growth opportunities in the following years.

Finally, our solutions continue to offer the highest financial returns, corporate responsibility and quality and we thank every one of our team for their dedication and commitment to the delivery of excellence to our clients.

Principal risks and uncertainties

The principal risk and uncertainty facing the group are with foreign currencies and fluctuations in pre owned mobile phone pricing. The company is exposed to foreign exchange risk as a result of operations within the group. A decline in the Euro will have a direct effect on trading results. Due consideration is given to forward provisioning of exchange rates when entering contracts however, the costs of managing this risk exceed potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

The group has considerably reduced its reliance on offshore mobile phone trading activities.

The so called "Brexit" is not expected to impact the group in the coming years. However from 2016 onward, the group will report all its activities in Euros.

Financial risk management

The group's operations expose it to limited financial risks that include price risk, credit risk, liquidity risk and foreign exchange risk. The policies set by the board of directors are implemented by the finance department.

The group actively maintains a mixture of short-term, intercompany and debt finance that is designed to ensure the group has sufficient funds for operations.

Bak2 Group Limited

Strategic Report (Continued)

For the year ended 30 June 2016

Key performance indicators

The key performance indicators for the group are -

The turnover has reduced as the reliance on the significant trade in relationship reduces.

	2016	2015
Turnover (€)	19,847,818	20,335,467
Gross profit margin	8.10%	8.93%

Future developments

The group is focused on developing the growth prospects clearly identified in its sector by expanding its subsidiaries' client base and capabilities around the world.

On behalf of the board

G Dumoulin

Director

20 November 2017

Bak2 Group Limited

Directors' Report

For the year ended 30 June 2016

The directors present their annual report and financial statements for the year ended 30 June 2016.

Under CA2006 s414C(11), the information relating to future developments and risk management are included in the strategic report.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

G Dumoulin
J L Laccourreye

Results and dividends

The results for the year are set out on page 7.

No dividend was paid in the year.

Auditors

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditors of the group will be put at a General Meeting.

Statement of directors' responsibilities

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 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 group and company, and of the profit or loss of the group 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;
- 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bak2 Group Limited

Directors' Report (Continued)

For the year ended 30 June 2016

Statement of disclosure to auditors

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

G Dumoulin

Director

20 November 2017

Bak2 Group Limited

Independent Auditors' Report

To the Members of Bak2 Group Limited

We have audited the financial statements of Bak2 Group Limited for the year ended 30 June 2016 which comprise the Consolidated Profit And Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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 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 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 group's and the parent 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 Annual 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.

Basis for qualified opinion on financial statements

The consolidated financial statements include an amount of €1,237,471 recognised as revenue in the financial statements of the company's Romanian subsidiary, S.C Diangi Grup SRL. However this amount does not meet the criteria for recognition as revenue in accordance with section 23 of FRS 102 and therefore, in our opinion, should not have been recognised as revenue in the consolidated financial statements. Accordingly, turnover should be reduced and creditors due within one year increased by €1,237,471 and the loss for the year and net liabilities at the reporting date increased to €1,656,759 and €1,534,169 respectively.

Qualified opinion on financial statements

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2016 and of its loss for the year 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.

Bak2 Group Limited

Independent Auditors' Report (Continued)

To the Members of Bak2 Group Limited

Emphasis of matter - Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.3 of the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of €419,288 for the year ended 30 June 2016 and at that date the group's current liabilities exceeded its total assets by €296,698, although as noted in the Basis for Qualified Opinion paragraph, had adjustments been made to correct revenue which had been incorrectly recognised in a subsidiary these figures would have been €1,656,759 and €1,534,169 respectively. The group is also reliant on the continuation of its debt factoring facility. These conditions, along with the other matters explained in note 1.3, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the group was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

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

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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- • the parent company 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.

Karen Wardell (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

22 November 2017

Chartered Accountants
Statutory Auditor

Orbital House
20 Eastern Road
Romford
Essex
RM1 3PJ

Bak2 Group Limited

Consolidated Profit and Loss Account

For the year ended 30 June 2016

	Notes	2016 €	2015 €
Turnover	4	19,847,818	20,335,467
Cost of sales		(18,240,331)	(18,519,589)
Gross profit		<u>1,607,487</u>	<u>1,815,878</u>
Administrative expenses		(1,948,720)	(2,434,353)
Operating loss	5	(341,233)	(618,475)
Share of results of associates and joint ventures		(42,826)	(50,549)
Interest payable and similar charges	9	(4,149)	(32,648)
Loss on ordinary activities before taxation		(388,208)	(701,672)
Tax on profit on ordinary activities	10	(31,080)	(32,847)
Loss on ordinary activities after taxation		<u>(419,288)</u>	<u>(734,519)</u>
Loss for the financial year is attributable to:			
- Owners of the parent company		(353,880)	(809,036)
- Non-controlling interests		(65,408)	74,517
		<u>(419,288)</u>	<u>(734,519)</u>

Bak2 Group Limited

Group Balance Sheet

As at 30 June 2016

	Notes	2016 €	€	2015 €	€
Fixed assets					
Goodwill	11	187,109		234,599	
Negative goodwill	11	(53,220)		(62,090)	
Net goodwill		133,889		172,509	
Other intangible assets	11	117,424		159,236	
Total intangible assets		251,313		331,745	
Tangible assets	12	272,486		219,503	
Investments	13	27,090		69,916	
		550,889		621,164	
Current assets					
Stocks	17	2,163,358		438,709	
Debtors	18	4,002,833		2,029,854	
Cash at bank and in hand		8,455		119,543	
		6,174,646		2,588,106	
Creditors: amounts falling due within one year	19	(7,022,233)		(3,086,680)	
Net current liabilities		(847,587)		(498,574)	
Total assets less current liabilities		(296,698)		122,590	
Capital and reserves					
Called up share capital	22	1,491		1,491	
Share premium account		780,785		780,785	
Other reserves		(175,159)		(175,159)	
Profit and loss reserves		(1,178,983)		(825,103)	
Shareholders' funds		(571,866)		(217,986)	
Non-controlling interests		275,168		340,576	
		(296,698)		122,590	

The financial statements were approved by the board of directors and authorised for issue on 20 November 2017 and are signed on its behalf by:

G Dumoulin
Director

Bak2 Group Limited

Company Balance Sheet

As at 30 June 2016

	Notes	2016 €	€	2015 €	€
Fixed assets					
Goodwill	11	189,958		237,448	
Other intangible assets	11	117,424		159,236	
Total intangible assets		307,382		396,684	
Investments	13	272,009		272,009	
		579,391		668,693	
Current assets					
Stocks	17	195,115		111,657	
Debtors	18	1,474,428		1,575,045	
Cash at bank and in hand		8,455		92,536	
		1,677,998		1,779,238	
Creditors: amounts falling due within one year	19	(3,100,305)		(3,095,495)	
Net current liabilities		(1,422,307)		(1,316,257)	
Total assets less current liabilities		(842,916)		(647,564)	
Capital and reserves					
Called up share capital	22	1,491		1,491	
Share premium account		780,785		780,785	
Profit and loss reserves		(1,625,192)		(1,429,840)	
Shareholders' funds		(842,916)		(647,564)	

The financial statements were approved by the board of directors and authorised for issue on 20 November 2017 and are signed on its behalf by:

G Dumoulin
Director

Company Registration No. 06541590

Bak2 Group Limited

Group Statement of Changes in Equity For the year ended 30 June 2016

	Share capital	Share premium account	Other reserves	Profit and loss reserves	Total equity	Non-controlling interest	Total
	€	€	€	€	€	€	€
Balance at 1 July 2014	1,491	780,785	21,863	(16,067)	788,072	266,060	1,054,132
Period ended 30 June 2015:							
Loss and total comprehensive income for the year	-	-	-	(809,036)	(809,036)	74,517	(734,519)
Foreign currency translation differences	-	-	(197,022)	-	(197,022)	-	(197,022)
Balance at 30 June 2015	1,491	780,785	(175,159)	(825,103)	(217,986)	340,576	122,590
Period ended 30 June 2016:							
Loss and total comprehensive income for the year	-	-	-	(353,880)	(353,880)	(65,408)	(419,288)
Balance at 30 June 2016	1,491	780,785	(175,159)	(1,178,983)	(571,866)	275,168	(296,698)

Bak2 Group Limited

Company Statement of Changes in Equity

For the year ended 30 June 2016

	Share capital	Share premium	Profit and loss reserves	Total
	€	account €	€	€
Balance at 1 July 2014	1,491	780,785	(427,558)	354,718
Period ended 30 June 2015:				
Loss and total comprehensive income for the year	-	-	(1,002,282)	(1,002,282)
Balance at 30 June 2015	1,491	780,785	(1,429,840)	(647,564)
Period ended 30 June 2016:				
Loss and total comprehensive income for the year	-	-	(195,352)	(195,352)
Balance at 30 June 2016	1,491	780,785	(1,625,192)	(842,916)

Bak2 Group Limited

Consolidated Statement of Cash Flows

For the year ended 30 June 2016

		2016		2015	
	Notes	€	€	€	€
Cash flows from operating activities					
Cash absorbed by operations	25	(291,620)		(611,432)	
Interest paid		(4,149)		(32,648)	
Income taxes (paid)/refunded		(39,105)		4,495	
Net cash outflow from operating activities		(334,874)		(639,585)	
Investing activities					
Purchase of intangible assets		-		(37,832)	
Purchase of tangible fixed assets		(146,143)		(97,568)	
Net cash used in investing activities		(146,143)		(135,400)	
Net cash used in financing activities		-		-	
Net decrease in cash and cash equivalents		(481,017)		(774,985)	
Cash and cash equivalents at beginning of year		(663,723)		111,262	
Cash and cash equivalents at end of year		(1,144,740)		(663,723)	
Relating to:					
Cash at bank and in hand		8,455		119,543	
Bank overdrafts included in creditors payable within one year		(1,153,195)		(783,266)	

Bak2 Group Limited

Notes to the Financial Statements

For the year ended 30 June 2016

1 Accounting policies

Company information

Bak2 Group Limited ("the Company") is a company limited by shares, domiciled and incorporated in England and Wales. The registered office is Orbital House, 20 Eastern Road, Romford, Essex, RM1 3PJ.

The Group consists of Bak2 Group Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in Euros, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest €.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 30 June 2016 are the first financial statements of Bak2 Group Limited and the group prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements for the preceding period were prepared in accordance with previous UK GAAP. The date of transition to FRS 102 was 1 July 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 26.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's loss for the year was €195,352 (2015 - €1,002,282 loss).

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Bak2 Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 June 2016.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

1 Accounting policies

(Continued)

1.3 Going concern

The group has continued to meet its obligations as and when they fall due during and subsequent to the accounting period, with careful management of working capital together with support from the directors and available banking and debt factoring facilities. The bank overdraft facility has been agreed to be repaid gradually over the period to October 2018 and renewed factoring facilities have been agreed which are considered by the directors to be sufficient. In addition the directors have confirmed their intention to continue to support the company for a period of at least twelve months from the date of approval of the financial statements.

The directors continue to review all aspects of the business with a view to improving the trading results, having taken strategic steps to move the business model to a servicing offering from reliance on mobile phone trading activities, and believe that they will achieve this over the next twelve months. The directors are confident that this will ensure a return to profitability and support the growth plans for the business.

On the basis of the revised strategy, together with the renewal of factoring facilities and the intention of the directors to continue to support the business, the directors believe that the group will be able to continue in business and meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements. Consequently the directors consider it appropriate to prepare the financial statements on the going concern basis.

1.4 Turnover

Turnover represents amounts receivable by the group, in the ordinary course of business, for sales of goods to third parties, excluding VAT and other sales taxes. The company records transactions as sales when the goods have been despatched. Revenue generated from revenue sharing agreements is recognised in full in revenue with the revenue due to third parties recognised as a cost of sale.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.5 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

Negative goodwill arose on acquisition of a subsidiary. In line with the accounting policy for positive goodwill, negative goodwill is being written off in equal annual instalments over its estimated useful economic life of 10 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	10-33% straight line
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Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

1 Accounting policies

(Continued)

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	10-25% straight line
Computer equipment	33% straight line
Motor vehicles	25% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the profit and loss account.

1.8 Fixed asset investments

Equity instruments which are measured at fair value through profit or loss except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method.

In the Company financial statements investments in associates are accounted for at cost less impairment.

1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.10 Financial instruments

The Company only has basic financial instruments measured at amortised cost, with no financial instruments classified as other or basic instruments measured at fair value.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

1 Accounting policies

(Continued)

1.11 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.15 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

2 Change in accounting policy

On 1 July 2015 Bak2 Group Limited (the Company) changed its functional currency from Sterling to Euros and as a result the Group financial statements are now presented in Euros.

The Company changed its functional currency due to the majority of transactions being in Euros and it was considered more appropriate for the functional currency to be Euros.

The change in functional currency has been accounted for prospectively and all comparative figures have been translated from Sterling to Euro at the opening rate on 1 July 2015 of 1.4084.

3 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount 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 where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic life of intangible fixed assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Goodwill impairment reviews are also performed annually. These reviews require 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 for the cash generating unit and a suitable discount rate to calculate present value. See note 12 for the carrying amount of the intangible assets and notes 1.5 and 1.6 for the useful economic lives for each class of asset.

Useful economic life of tangible fixed assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 13 for the carrying amount of the property, plant and equipment and note 1.7 for the useful economic lives for each class of asset.

4 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2016	2015
	€	€
Turnover		
Sales of goods	19,847,818	20,335,467

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

4 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2016	2015
	€	€
Asia	4,552,938	9,120,879
Africa	409,875	1,157,032
Europe	13,986,336	9,859,387
UK	566,286	198,169
Other	332,383	-
	<u>19,847,818</u>	<u>20,335,467</u>

5 Operating (loss)/profit

	2016	2015
	€	€
Operating (loss)/profit for the year is stated after charging/(crediting):		
Exchange losses/(gains)	(11,537)	31,145
Depreciation of owned tangible fixed assets	93,160	96,691
Loss on disposal of tangible fixed assets	-	6,874
Amortisation of intangible assets	80,432	64,391
Cost of stocks recognised as an expense	16,365,180	16,595,461
Operating lease charges	190,805	178,029
	<u></u>	<u></u>

6 Auditors' remuneration

	2016	2015
	€	€
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	<u>24,281</u>	<u>54,728</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

7 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2016 Number	2015 Number
Production	152	111
Sales	2	3
Management	3	3
Administration & I.T.	12	11
	<u>169</u>	<u>128</u>

Their aggregate remuneration comprised:

	2016 €	2015 €
Wages and salaries	1,917,588	1,949,557
Social security costs	455,689	489,284
Pension costs	11,200	11,335
	<u>2,384,477</u>	<u>2,450,176</u>

8 Directors' remuneration

	2016 €	2015 €
Remuneration for qualifying services	<u>384,808</u>	<u>404,449</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	176,188	182,326
Company pension contributions to defined contribution schemes	<u>11,200</u>	<u>11,334</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

9 Interest payable and similar charges

	2016 €	2015 €
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	4,070	23,505
Other interest	79	9,143
	<u>4,149</u>	<u>32,648</u>

10 Taxation

	2016 €	2015 €
Foreign current tax on profits for the current period	<u>31,080</u>	<u>32,847</u>

The charge for the year can be reconciled to the (loss)/profit per the profit and loss account as follows:

	2016 €	2015 €
Loss before taxation	<u>(388,208)</u>	<u>(701,672)</u>
<i>Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)</i>	(77,642)	(140,334)
Permanent capital allowances in excess of depreciation	-	(30,213)
Depreciation in excess of permanent capital allowances	36,042	-
Foreign tax adjustments	(23,278)	(11,169)
UK tax losses carried forwards	21,660	195,217
Share of associates losses	8,565	10,109
Other tax adjustments	<u>65,733</u>	<u>9,237</u>
Tax expense for the year	<u>31,080</u>	<u>32,847</u>

The company has tax losses carried forward of €1,851,003 (2015: €1,742,703) which are available for offset against future trading profits.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

11 Intangible fixed assets

Group	Positive goodwill €	Negative goodwill €	Software €	Total €
Cost				
At 1 July 2015 and 30 June 2016	482,423	(88,700)	243,740	637,463
Amortisation and impairment				
At 1 July 2015	247,824	(26,610)	84,504	305,718
Amortisation charged for the year	47,490	(8,870)	41,812	80,432
At 30 June 2016	295,314	(35,480)	126,316	386,150
Carrying amount				
At 30 June 2016	187,109	(53,220)	117,424	251,313
At 30 June 2015	234,599	(62,090)	159,236	331,745

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

11 Intangible fixed assets (Continued)

Company	Positive goodwill €	Software €	Total €
Cost			
At 1 July 2015 and 30 June 2016	474,896	243,740	718,636
Amortisation and impairment			
At 1 July 2015	237,448	84,504	321,952
Amortisation charged for the year	47,490	41,812	89,302
At 30 June 2016	284,938	126,316	411,254
Carrying amount			
At 30 June 2016	189,958	117,424	307,382
At 30 June 2015	237,448	159,236	396,684

12 Tangible fixed assets

Group	Plant and machinery €
Cost	
At 1 July 2015	480,971
Additions	146,143
At 30 June 2016	627,114
Depreciation and impairment	
At 1 July 2015	261,468
Depreciation charged in the year	93,160
At 30 June 2016	354,628
Carrying amount	
At 30 June 2016	272,486
At 30 June 2015	219,503

The company had no tangible fixed assets at 30 June 2016 or 30 June 2015.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

13 Fixed asset investments

	Notes	Group 2016 €	2015 €	Company 2016 €	2015 €
Investments in subsidiaries	14	-	-	272,009	272,009
Investments in associates	15	27,090	69,916	-	-
		<u>27,090</u>	<u>69,916</u>	<u>272,009</u>	<u>272,009</u>

Movements in fixed asset investments

Group	Shares €
Cost or valuation	
At 30 June 2016	69,916
Share of losses	(42,826)
	<u>27,090</u>
At 30 June 2016	<u>27,090</u>
Carrying amount	
At 30 June 2016	<u>27,090</u>
	<u>69,916</u>
At 30 June 2015	<u>69,916</u>

Movements in fixed asset investments

Company	Shares €
Cost or valuation	
At 1 July 2015 & 30 June 2016	<u>272,009</u>
Carrying amount	
At 30 June 2016	<u>272,009</u>
	<u>272,009</u>
At 30 June 2015	<u>272,009</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

14 Subsidiaries

Details of the company's subsidiaries at 30 June 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
BAK2 Services SARL France	Repair and refurbishment of telecommunication equipment	Ordinary	100
Dumeg SA Belgium	Support services to BAK2 Group	Ordinary	100
S. C. Diangi Grup S.R.L. Romania	Repair and refurbishment of telecommunication equipment	Ordinary	67
Begorax Limited Cyprus	Dormant holding company	Ordinary	100

15 Associates

Details of associates at 30 June 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct
Bamofox Technology Limited Hong Kong	Repair and refurbishment of telecommunications equipment	Ordinary	46

16 Financial instruments

	Group 2016 €	2015 €	Company 2016 €	2015 €
Carrying amount of financial assets				
Debt instruments measured at amortised cost	2,571,584	1,621,812	1,467,221	1,441,356
Carrying amount of financial liabilities				
Measured at amortised cost	6,921,639	2,940,245	3,040,115	3,010,416

17 Stocks

	Group 2016 €	2015 €	Company 2016 €	2015 €
Finished goods and goods for resale	2,163,358	438,709	195,115	111,657

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

18 Debtors

	Group 2016	2015	Company 2016	2015
	€	€	€	€
Amounts falling due within one year:				
Trade debtors	2,513,751	1,600,642	1,258,906	1,237,477
Corporation tax recoverable	25,449	19,424	-	4,984
Amounts due from subsidiary undertakings	-	-	150,484	182,709
Amounts due from associate undertakings	57,831	21,170	57,831	21,170
Other debtors	35,771	148,500	1,696	-
Prepayments and accrued income	1,370,031	240,118	5,511	128,705
	<u>4,002,833</u>	<u>2,029,854</u>	<u>1,474,428</u>	<u>1,575,045</u>

19 Creditors: amounts falling due within one year

		Group 2016	2015	Company 2016	2015
	Notes	€	€	€	€
Loans and overdrafts	20	1,317,329	954,035	1,256,114	887,853
Corporation tax payable		-	2,000	-	-
Other taxation and social security		100,594	144,435	60,190	85,079
Trade creditors		4,164,994	639,977	70,882	213,394
Amounts due to subsidiary undertakings		-	-	665,196	892,606
Other creditors		111,021	101,902	31,176	79,652
Accruals and deferred income		1,328,295	1,244,331	1,016,747	936,911
		<u>7,022,233</u>	<u>3,086,680</u>	<u>3,100,305</u>	<u>3,095,495</u>

The directors have given a joint personal guarantee of €260,000 to the bank Societe Generale S.A..

The company has a business finance agreement with CGA Societe Generale, through which it factors its debts. Included in loans and overdrafts is an amount owed to CGA Societe Generale of €976,935 (2015: €539,841).

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

20 Loans and overdrafts

	Group 2016 €	2015 €	Company 2016 €	2015 €
Bank overdrafts	176,260	243,425	115,045	177,243
Factoring advances	976,935	539,841	976,935	539,841
Directors' loans	164,134	170,769	164,134	170,769
	<u>1,317,329</u>	<u>954,035</u>	<u>1,256,114</u>	<u>887,853</u>
Payable within one year	<u>1,317,329</u>	<u>954,035</u>	<u>1,256,114</u>	<u>887,853</u>

21 Retirement benefit schemes

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was €11,200 (2015: €11,335).

22 Share capital

	Group and company	
	2016 €	2015 €
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary A shares of 1p each	1,408	1,408
5,897 Ordinary B shares of 1p each	83	83
	<u>1,491</u>	<u>1,491</u>

All ordinary shares have full voting and capital distribution rights. The shares rank pari passu in all respects and there are no restrictions on distribution or repayment of capital.

23 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2016 €	2015 €	Company 2016 €	2015 €
Within one year	140,246	140,246	-	-
Between two and five years	234,634	314,584	-	-
In over five years	43,330	95,326	-	-
	<u>418,210</u>	<u>550,156</u>	<u>-</u>	<u>-</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

24 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, is as follows:

	2016 €	2015 €
Aggregate compensation	522,258	561,016

Group and company

During the year, the directors G Dumoulin and J L Laccourreye loaned amounts to the company of nil (2015: €17,241). At the year end an amount of €148,342 (2015: €170,769) was owed to the directors.

During the year, the group made sales to an associate, Bamofox Technology Limited of €253,484 (2015: €51,456) on normal commercial terms. Included in amounts owed by participating interest at the year end, were amounts owed by Bamofox Technology Limited of €57,831 (2015: €21,170).

Company only

The company has taken advantage of the exemption available in FRS 102 whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

During the year the company made purchases from a subsidiary. S. C. Diangi Grup S.R.L. of €1,348,330 (2015: €1,046,386) on normal commercial terms. Included in amounts owed to group undertakings at the year end were amounts owed to S. C. Diangi Grup S.R.L. of €52,989 (2015: €152,234).

25	Cash generated from operations	2016 €	2015 €
	Loss for the year after tax	(419,288)	(734,519)
	Adjustments for:		
	Share of results of associates and joint ventures	42,826	50,549
	Taxation charged	31,080	32,847
	Finance costs	4,149	32,648
	(Gain)/loss on disposal of tangible fixed assets	-	6,874
	Foreign exchange movements	-	(159,758)
	Amortisation and impairment of intangible assets	80,432	64,391
	Depreciation and impairment of tangible fixed assets	93,160	96,691
	Movements in working capital:		
	(Increase)/decrease in stocks	(1,724,649)	400,712
	(Increase)/decrease in debtors	(1,966,954)	929,213
	Increase/(decrease) in creditors	3,567,624	(1,331,080)
	Cash absorbed by operations	(291,620)	(611,432)

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2016

26 Reconciliations on adoption of FRS 102 - group and company

Intangible fixed assets

Under FRS 102, intangible assets consisting of software and licenses have been re-recognised as 'intangible assets' where they were previously recognised as 'tangible fixed assets' included under 'plant and machinery' in latest accounts prepared under the previous regime to 30 June 2015. The conversion adjustment includes €205,908 cost brought forward and €67,603 accumulated amortisation at the 1 July 2014 transition date. There were €37,832 of intangible additions €16,901 of amortisation charged in the year to 30 June 2015. The adjustment has had no effect on the profit or net asset positions of the group for 2015 or 2016.

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