GI Solutions Holdings Limited

Annual report and consolidated financial statements

Registered number 06582165

31 March 2016

Contents

Directors and advisors

Directors	L R Litwinowicz R Welch P J Headley (appointed 27 July 2016) S S Lisser (appointed 27 July 2016) N A Smith (Resigned 06 April 2016)
Auditor	KPMG LLP 1 Waterloo Way Leicester LE1 6LP
Banker	Lloyds TSB Bank plc 7 High Street Leicester LE1 9FS
Solicitor	M&S Solicitors Limited Home Farm 5 Newton Road Heather Leicester LE67 2RD
Registered Office	147 Scudamore Road Leicester LE3 1UQ

Strategic report

The directors present their strategic report for the year ended 31 March 2016.

Principal activity and review of the business

The principal activity of the Group during the year is the provision of marketing services.

The key financial and other performance indicators during the year were as follows:

	2016	2015
	£000	£000
Turnover	34,426	40,154
Gross margin %	36.9%	31.3%
Operating profit pre-exceptional income	1,996	1,327
Exceptional income	157	-
Shareholders' funds	5,244	3,396
Profit after tax	1,848	2,012
Average number of employees	261	261

As shown above, turnover has reduced by 14.3% to £34m, mainly because of a £5.25m overseas election project which was invoiced in the previous year by the Synyang division. Ignoring this one-off project, underlying sales reduced by 1.4%.The Synyang division was sold on 22 March 2016. Annual sales generated by the ongoing divisions (i.e. excluding Synyang) totalled £29.8m, an increase of 3.6% over the previous year.

Operating profit (before exceptional items) increased by 51.1% over last year. This was partly due to the increase of 5 percentage points in the gross margin because of the increase in higher added value data sales as a proportion of total sales. However, the main contributor was a 6.1% decrease in administrative expenses - mainly due to the reduction in administrative labour headcount. Most other administrative expense sectors also showed reductions, and these are largely as a result of last year's promised review of overheads. The current year also included a much lower final charge for goodwill amounting to £26,000, compared with a charge of £193,000 last year.

Profit after tax reduced by 8%. The current year again benefitted from lower taxation because of the R&D allowance available on our continuing development of new products and processes for customers. However, the prior year included a one off gain on the closure of dormant companies of £949,000.

Shareholders' funds have increased by £1,848,000 which is the net profit after tax for the year.

Details of amounts owed to and by group companies are shown in notes 15 and 17.

The average number of employees remained the same as the previous year, although manufacturing numbers increased, primarily to support the growth in the business, and administration numbers fell after the cost review last year.

The markets remain highly competitive and we respond to this by new product and systems development and by expanding our manufacturing and data development expertise. This ensures that we can deliver the designs, systems and products that our customers need to support their own growth.

Management Buyout of GI Solutions Holdings Limited (previously the parent company of GI Solutions Group Limited).

On 22 March 2016, the entire share capital of GI Solutions Holdings Limited (GISH) was acquired by GI Solutions Group Holdings Limited (GISGH), a new company established for that purpose.

The shareholders of GISGH include 3 new members of the management team and the Grove Industries Limited (GIL) shareholding in GISH has been purchased by individual Grove shareholders. Paul Thomas and Noel Smith have sold their entire shareholdings.

Strategic report *(continued)*

The result of this is that the company is now 100% controlled by its individual shareholders as there is no longer a corporate shareholder above GISGH.

In the lead up to the decision to trigger the buyout, 5 year profit and loss, balance sheet and cash flow forecasts were prepared and rigorously tested to ensure that the operational cash flows and expansion plans would not be impaired, and that there would be more than sufficient headroom to cover any foreseeable market downturns.

To date, trading and cash generation have exceeded expectations in the current financial year.

Credit risk

Credit risk is managed by pre-arrangement of credit terms with customers and keeping within credit limits advised by our credit insurance company. Where the risk is considered high, advance payments will be requested before any expenditure is committed to a project.

Financial risk management

The Group's principal financial instruments comprise trade debtor, trade creditor, intercompany balances, hire purchase contracts and a secured loan. The Group does not enter into derivative transactions and it is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The Group has a debtor financing arrangement with its bank to cover the potential risk of late payments from customers.

The main risks arising from the Group's financial instruments are foreign currency risk and interest rate risk.

Foreign currency risk

The Group has transactional and translation exposures arising from sales and purchases in Euros and United States Dollars. The company does not actively hedge against foreign currency transactions and balances other than, where possible, by forward purchasing to take advantage of short term peaks.

Interest rate risk

The Group has a bank CID facility and a secured loan with interest at a variable rate and is therefore subject to risk relating to interest rate fluctuations. The company does not enter into interest rate swaps to fix interest rates.

Principal risks and uncertainties

The Group manages competitive trading risk by combining effective market pricing with strong project management to ensure that, whatever changes or delays occur, the customers' projects are delivered on time and in full.

The recent referendum vote to take the UK out of the EU (BREXIT) is likely to generate more uncertainty until exit terms are agreed with the EU and the any benefits of BREXIT become clearer. Following the sale of the Synyang division, the Group has a significantly reduced foreign exchange exposure and all our customers are invoiced in GBP. We continue to keep in close touch with our customers to ensure that we get early warning of adverse changes, but our experience from previous recessions is that we tend to suffer lower attrition because the vast majority of our sales comprises marketing products and data for our customers.

Robin Welch
Director

Dated: 15 August 2016

Directors' report

The directors present their report for the year ended 31 March 2016.

Results and dividends
The profit for the year after taxation amounted to £1,848,000 *(2015: profit of £2,012,000)*. The directors have not recommended the payment of a dividend *(2015: £nil)*.

Principal activity and review of the business
The principal activity of the Group during the year is the provision of marketing services.
As stated in the Strategic Report, the entire shareholding of the company was acquired by GI Solutions Group Holdings Limited on 22 March 2016.

Future developments
The directors consider that the business will continue to operate as previously. There are no events, of which the directors are currently aware, that will affect the manner in which the company operates.

Value of investments
The directors consider that the principal risk within this company is a diminution of value of the investments held on the balance sheet. However, this is managed by involvement of the directors in the management of GI Solutions Group Limited, the main subsidiary trading company. The directors also consider that the requirement to repay intercompany balances is a factor that has to be managed with reference to the group as a whole.

Interest rate risk
The company is exposed to interest rate movements on any long term borrowings. There is a 6 month review of interest rates.

Directors
The directors who served the company during the year were as follows:
L Litwinowicz
R Welch
P J Headley (appointed 27 July 2016)
S S Lisser (appointed 27 July 2016)
N A Smith (Resigned 06 April 2016)

The company has indemnified its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision is in force at the date of approving the directors' report.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board

Robin Welch
Director

Dated: 15 August 2016

Statement of directors' responsibilities in respect of the strategic report, the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 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 group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether 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 the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

KPMG

Independent auditor's report to the members of GI Solutions Holdings Limited

We have audited the financial statements of GI Solutions Holdings Limited for the year ended 31 March 2016 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2016 and of the group's profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter[s] 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.

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Ian Borley *(Senior Statutory Auditor)*

for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Waterloo Way
Leicester
LE1 6LP

Dated: 23rd. August, 2016.

Consolidated profit and loss account

for year ended 31 March 2016

	Note	**2016**	2015
		£000	£000
Turnover	*2*	**34,426**	40,154
Cost of sales		**(21,744)**	(27,615)
Gross profit		**12,682**	12,539
Administrative expenses		**(10,529)**	(11,212)
Operating profit before exceptional items		1,996	1,327
Gain on sale of division	*3*	157	-
Group operating profit	*4*	**2,153**	1,327
Other interest receivable and similar income	*8*	**14**	956
Interest payable and similar charges	*9*	**(90)**	(105)
Profit on ordinary activities before taxation		**2,077**	2,178
Tax on profit on ordinary activities	*10*	**(229)**	(166)
Profit for the financial year		**1,848**	2,012
Profit or loss attributable to			
Shareholders of the parent company		**1,848**	2,012
Minority interests		**-**	-
Total profit		**1,848**	2,012

In both the current and prior year, the company made no material acquisitions and had no discontinued operations.

There were no recognised gains or losses in either the current or prior year other than the result shown above. Accordingly, no statement of other comprehensive income is presented.

Consolidated balance sheet
at 31 March 2016

	Note	2016 £000	2016 £000	2015 £000	2015 £000
Fixed assets					
Goodwill	*11*		-		26
Tangible assets	*12*		**2,050**		2,437
			2,050		2,463
Current assets					
Stocks	*14*	**411**		611	
Debtors (including £143,000 *(2015: £263,000)* due after more than one year)	*15*	**14,731**		7,331	
Cash at bank and in hand		**462**		3,007	
		15,604		10,949	
Creditors: amounts falling due within one year	*17*	**(10,830)**		(7,880)	
Net current assets			**4,774**		3,069
Total assets less current liabilities			**6,824**		5,532
Creditors: amounts falling due after more than one year	*18*		**(1,580)**		(2,136)
Net assets			**5,244**		3,396
Capital and reserves					
Called up share capital	*23*		**100**		100
Profit and loss account			**5,144**		3,296
Equity attributable to the parent's shareholders			**5,244**		3,396
Minority Interests			**-**		-
Shareholders' funds			**5,244**		3,396

These financial statements were approved by the board of directors on 15 August 2016 and were signed on its behalf by:

R Welch
Director

Company registered number: 06582165

Company balance sheet
at 31 March 2016

	Note	**2016**		2015	
		£000	**£000**	£000	£000
Fixed assets					
Investments	*13*		**6,229**		6,451
			6,229		6,451
Current assets					
Cash at bank and in hand		**6**		270	
		6		270	
Creditors: amounts falling due within one year	*18*	**(5,218)**		(5,458)	
Net current liabilities			**(5,212)**		(5,188)
Total assets less current liabilities			**1,017**		1,263
Creditors: amounts falling due after more than one year			**-**		(83)
Net assets			**1,017**		1,180
Capital and reserves					
Called up share capital	*23*		**100**		100
Profit and loss account			**917**		1,080
Shareholders' funds			**1,017**		1,180

These financial statements were approved by the board of directors on 15 August 2016 and were signed on its behalf by:

R Welch
Director

Company registered number: 06582165

Consolidated statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total share-holder's Eeuity £000	Minority interests £000	Total equity £000
Balance at 1 April 2014	100	1,284	1,384	-	1,384
Total comprehensive income for the period					
Profit	-	2,012	2,012	-	2,012
Balance at 31 March 2015	**100**	**3,296**	**3,396**	**-**	**3,396**

	Called up share capital £000	Profit and loss account £000	Total share-holder's equity £000	Minority interests £000	Total Equity £000
Balance at 1 April 2015	100	3,296	3,396	-	3,396
Total comprehensive income for the period					
Profit	-	1,848	1,848	-	1,848
Balance at 31 March 2016	**100**	**5,144**	**5,244**	**-**	**5,244**

Company statement of changes in equity

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2014	100	117	217
Total comprehensive income for the period			
Profit	-	963	963
Balance at 31 March 2015	**100**	**1,080**	**1,180**

	Called up share capital £000	Profit and loss account £000	Total equity £000
Balance at 1 April 2015	100	1,080	1,180
Total comprehensive income for the period			
Profit	-	(163)	(163)
Balance at 31 March 2016	**100**	**917**	**1,017**

Consolidated cash flow statement
for year ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities			
Profit for the year		**1,848**	2,012
Adjustments for:			
Depreciation, amortisation and impairment		**942**	1,431
Foreign exchange losses		**(19)**	(46)
Interest receivable and similar income		**(14)**	(956)
Interest payable and similar charges		**90**	105
Gain on sale of tangible fixed assets		**-**	(46)
Gain on sale of division		**(157)**	-
Taxation		**229**	166
		2,919	2,666
(Increase)/decrease in trade and other debtors		**(7,521)**	(1,310)
(Increase)/decrease in stocks		**200**	2,628
(Decrease)/increase in trade and other creditors		**353**	(63)
		(4,049)	3,921
Tax paid		**(95)**	(332)
Net cash from operating activities		**(4,144)**	3,589
Cash flows from investing activities			
Proceeds from sale of tangible fixed assets		**-**	46
Interest received		**14**	956
Proceeds from disposal of a division		**157**	-
Acquisition of a business		**-**	(222)
Acquisition of tangible fixed assets		**(529)**	(2,472)
Net cash from investing activities		**(358)**	(1,692)
Cash flows from financing activities			
Proceeds from new loan		**-**	1,019
Interest paid		**(90)**	(105)
Repayment of borrowings		**(714)**	(502)
Payment of finance lease liabilities		**(176)**	(443)
Drawdown from CID facility		**2,694**	-
New finance lease liabilities		**225**	-
Net cash from financing activities		**1,939**	(31)
Net decrease/(increase) in cash and cash equivalents		**(2,563)**	1,866
Cash and cash equivalents at 1 April		**3,006**	1,095
Effect of exchange rate fluctuations on cash held		**19**	46
Cash and cash equivalents at 31 March		**462**	3,007

Notes
(forming part of the financial statements)

1 Accounting policies

GI Solutions Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland (*"FRS 102"*) as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

In the transition to FRS 102 from old UK GAAP, the Group has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Business combinations – Business combinations that took place prior to 01 April 2014 have not been restated.
- Separate financial instruments – the carrying amount of the Company's cost of investment in subsidiaries is its deemed cost at 01 April 2014.
- Leasing arrangements - in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at transition date rather than commencement date of the arrangement.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Key Management Personnel compensation has not been included a second time.
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

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

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 32.

1.1. Measurement convention

The financial statements are prepared on the historical cost basis.

1.2. Going concern

The Group has net current assets of £4,774,000, despite having loaned £6 million to the parent company, GI Solutions Group Holdings Limited, to partly finance the management buyout noted above in the Strategic Report. The Group is supported by the trading activities of its main subsidiary GI Solutions Group Limited. GI Solutions Group Limited is forecast to generate strong operating profits and cash flows in the next financial year, as it has done historically.

GI Solutions Group Holdings Limited has confirmed that it will not call for repayment of any outstanding amounts due if to do so would leave the Group in such a position that it would not be able to meet its other liabilities as they fall due.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Notes *(continued)*

1 Accounting policies *(continued)*

1.3. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 March 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4. Foreign currency

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.5. Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the group are treated as equity only to the extent that they meet the following two conditions:

(a) they include no contractual obligations upon the group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the group; and

(b) where the instrument will or may be settled in the entity's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the entity's own equity instruments or is a derivative that will be settled by the entity exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

1.6. Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Notes *(continued)*

1 Accounting policies *(continued)*

1.7. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leases in which the entity assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.14 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

Leasehold property improvements	- Over the lease term
Plant and machinery	- 2 to 10 years
Fixtures and fittings	- 3 to 5 years
Motor vehicles	- 2 to 3 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

1.8. Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the group recognises goodwill at the acquisition date as:

- the fair value of the consideration (excluding contingent consideration) transferred; plus
- estimated amount of contingent consideration (see below); plus
- the fair value of the equity instruments issued; plus
- directly attributable transaction costs; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

FRS 102.35 grants certain exemptions from the full requirements of FRS 102 in the transition period. The Group elected not to restate business combinations that took place prior to 1 April 2014. In respect of acquisitions prior to 1 April 2014, goodwill is included on the basis of its deemed cost, which represents the amount recorded under old UK GAAP. Intangible assets previously included in goodwill, are not recognised separately.

Notes *(continued)*

1 Accounting policies *(continued)*

1.9. Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses.

Amortisation

Goodwill is amortised on a straight line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 5 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill is tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that it may be impaired.

1.10. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition.

1.11. Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.12. Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes *(continued)*

1 Accounting policies *(continued)*

1.13. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties for the provision of direct marketing solutions, including database marketing, international design and procurement, direct response printing and mailing and the delivery of transactional/transpromo projects. Turnover is attributable to the continuing activities sourced in the United Kingdom.

1.14. Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable and finance charges on finance leases recognised in profit or loss using the effective interest method.

Other interest receivable and similar income include interest receivable on funds invested.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method.

1.15. Taxation

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that is it probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Notes *(continued)*

2 Turnover

	2016 £000	2015 £000
Sale of goods	**34,426**	40,154
Total turnover	**34,426**	40,154

By activity

The directors consider that the provision of turnover by activity will be detrimental to the business due to the sensitive nature of the information.

By geographical market:	2016 £000	2015 £000
United Kingdom	**33,449**	32,995
Rest of Europe	**966**	1,907
Other	**11**	5,252
	34,426	40,154

3 Exceptional income – gain on sale of a division

	2016 £000	2015 £000
Sale of Synyang division	**168**	-
Associated fees	**(11)**	-
	157	-

4 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Impairment loss on inventories/ tangible assets	**69**	-
Operating lease rentals – land and buildings	**282**	305
Operating lease rentals – other	**735**	371

Auditor's remuneration:

	2016 £000	2015 £000
Audit of these financial statements	**28**	24
Audit of the transition to FRS 102	**4**	-
Amounts receivable by the company's auditor and its associates in respect of:		
Audit-related assurance services	**4**	-
Taxation compliance services	**7**	7
Other tax advisory services	**4**	1

Notes *(continued)*

5 Staff numbers and costs

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

	Number of employees	
	2016	2015
Production staff	**136**	121
Administrative staff	**112**	126
Sales staff	**7**	8
Directors	**6**	6
	261	261

6 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	2016	2015
	£000	£000
Wages and salaries	**8,759**	8,634
Social security costs	**941**	945
Contributions to defined contribution plans	**110**	97
	9,810	9,676

7 Directors' remuneration

	2016	2015
	£000	£000
Directors' remuneration	**321**	292
Company contributions to money purchase pension plans	**15**	15

The aggregate of remuneration and amounts receivable under long term incentive schemes of the highest paid director was £197,000*(2015: £179,000)*, and company pension contributions of £15,000 *(2015: £15,000)* were made to a money purchase scheme on his behalf.

	Number of directors	
	2016	2015
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	**1**	1

8 Other interest receivable and similar income

	2016	2015
	£000	£000
Interest receivable on financial assets at amortised cost	**14**	7
Gain on closure of dormant companies	**-**	949
Total interest receivable and similar income	**14**	956

Notes *(continued)*

9 Interest payable and similar charges

	2016	2015
	£000	£000
Interest payable on financial liabilities at amortised cost	(90)	(105)
Total other interest payable and similar charges	(90)	(105)

10 Taxation

Total tax expense recognised in the profit and loss account

	2016		2015	
	£000	£000	£000	£000
Current tax				
Current tax on income for the period		409		319
Adjustments in respect of prior periods		(300)		(164)
Total current tax		109		155
Deferred tax (note 21)				
Origination and reversal of timing differences	104		11	
Change in tax rate	16		-	
				11
Total deferred tax		120		
Total tax		229		166

Reconciliation of effective tax rate

	2016	2015
	£000	£000
Profit for the year	1,848	2,012
Total tax expense	229	166
Profit excluding taxation	2,077	2,178
Tax using the UK corporation tax rate of 20 % *(2015:21 %)*	415	458
Tax exempt – gain on sale of discontinued operation	(31)	-
Tax exempt – dividend from reconstruction	-	(199)
Non-deductible expenses	18	59
Deferred tax – reduction in tax rate on opening balances	16	-
Deferred tax – recognition of previously unrecognised tax losses	-	11
Other timing difference	7	1
Under / (over) provided in prior years	(196)	(164)
Total tax expense included in profit or loss	229	166

Notes *(continued)*

11 Goodwill

Group

	£000
Cost	
Balance at 1 April 2015	4,231
Balance at 31 March 2016	4,231
Amortisation and impairment	
Balance at 1 April 2015	4,205
Amortisation for the year	26
Balance at 31 March 2016	4,231
Net book value	
At 31 March 2016	-
At 31 March 2015	26

Amortisation and impairment charge

The amortisation is recognised in the following line items in the profit and loss account:

	2016 £000	2015 £000
Administrative expenses	**26**	193
	26	193

Notes *(continued)*

12 Tangible fixed assets

Group	Leasehold property improvements £000	Plant and machinery £000	Fixtures and fittings £000	Motor vehicles £000	Total £000
Cost					
Balance at 1 April 2015	932	13,098	617	10	14,657
Additions	127	402	-	-	529
Disposals	(122)	-	(168)	(10)	(300)
Balance at 31 March 2016	937	13,500	449	-	14,886
Depreciation and impairment					
Balance at 1 April 2015	837	10,793	580	10	12,220
Depreciation charge for the year	36	782	29	-	847
Impairment losses	-	69	-	-	69
Disposals	(122)	-	(168)	(10)	(300)
Balance at 31 March 2016	751	11,644	441	-	12,836
Net book value					
At 31 March 2016	**186**	**1,856**	**8**	**-**	**2,050**
At 31 March 2015	95	2,305	37	-	2,437

Impairment loss and subsequent reversal

The impairment cost is to write off of the net book value of equipment which produced products for which there is no longer any profitable market. This equipment has been decommissioned.

At 31 March 2016 the net carrying amount of plant and machinery leased under a finance lease was £165,000 *(2015: £310,000).*

Tangible fixed assets under construction

An amount of £70,000 is included in assets under construction in respect of the part construction of an area to house new digital printing equipment to be delivered in April 2016.

Security

A bank loan is secured by a chattels mortgage on the equipment that the loan was used to purchase.

The debtor drawdown facility is partly secured by a chattels mortgage on all fixed assets other than those which are specifically mortgaged to secure the bank loan

Land and buildings

The net book value of land and buildings comprises:

	2016 £000	2015 £000
Short leasehold	**186**	95
	186	95

Notes *(continued)*

13 Fixed asset investments

Company	Shares in group undertakings £000
Cost	
At beginning of year	6,451
At end of year	6,451
Provisions	
At beginning of year	-
Impairment losses	(222)
At end of year	(222)
Net book value	
At 31 March 2016	**6,229**
At 31 March 2015	6,451

The impairment loss is the writing down of the investment in Cognesia Limited to £nil. The directors took the decision to write down the investment when it became clear that substantial expenditure would be required to upgrade the software offering to satisfy current market demand.

	Country of incorporation	Principal activity	Class and percentage of shares held	
			Group	Company
Subsidiary undertakings				
GI Solutions Group Limited	England	Marketing solutions	**Ord shares 100%**	Ord shares 100%
Cognesia Limited	England	Dormant	**Ord shares 80%**	Ord shares 80%
GI Solutions Limited	England	Dormant	**Ord shares 100%**	Ord shares 100%
GI Insight Limited	England	Dormant	**Ord shares 100%**	Ord shares 100%

14 Stocks

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Raw materials and consumables	**198**	312	-	-
Work in progress	**213**	299	-	-
	411	611	-	-

Raw materials, consumables and changes in work in progress recognised as cost of sales in the year amounted to £7,447,000 *(2015: £9,283,000)*. The write-down of stocks to net realisable value amounted to £nil *(2015: £nil)*. The total carrying amount of stocks pledged as security for liabilities in the year amounted to £411,000 *(2015: £611,000)*.

Notes *(continued)*

15 Debtors

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Trade debtors	**7,425**	5,867	-	-
Other debtors	**45**	7	-	-
Group companies	-	-	-	-
Related companies	**5,982**	6	-	-
Deferred tax assets (note 21)	**143**	263	-	-
Taxation and social security	**128**	130	-	-
Prepayments and accrued income	**1,008**	1,058	-	-
	14,731	7,331	-	-
Due within one year	**14,588**	7,068	-	-
Due after more than one year	**143**	263	-	-
	14,731	7,331	-	-

16 Cash and cash equivalents/ bank overdrafts

	2016	2015
	£000	£000
Cash and cash equivalents per cash flow statements	**462**	3,007

17 Creditors: amounts falling due within one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Shareholder loans (note 19)	-	240	-	240
Bank loans and overdrafts (note 19)	**3,207**	391	-	-
Obligations under finance leases (note 19)	**157**	147	-	-
Trade creditors	**3,869**	3,822	-	-
Amounts owed to group undertakings	-	-	**5,203**	5,071
Amounts owed to related undertakings	**12**	12	-	-
Taxation and social security	**518**	538	-	-
Corporation tax	**15**	4	**15**	4
Other creditors	**200**	164	-	-
Accruals and deferred income	**2,852**	2,562	-	143
	10,830	7,880	**5,218**	5,458

Notes *(continued)*

18 Creditors: amounts falling after more than one year

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Shareholder loans (note 19)	**-**	83	**-**	83
Bank loans and overdrafts (note 19)	**1,372**	1,885	**-**	-
Obligations under finance leases (note 20)	**208**	168	**-**	-
	1,580	2,136	**-**	83

19 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's and parent Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	Group		Company	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Creditors falling due after more than one year				
Shareholder loans	**-**	83	**-**	83
Secured bank loans	**1,372**	1,885	**-**	-
Finance lease liabilities	**208**	168	**-**	-
	1,580	2,136	**-**	83
Creditors falling due within less than one year				
Shareholder loans	**-**	240	**-**	240
Secured bank loans	**513**	391	**-**	-
Secured debtor finance facility	**2,694**	-	**-**	-
Finance lease liabilities	**157**	147	**-**	-
	3,364	878	**-**	240

The bank loan is secured by a chattels mortgage on the equipment that the loan was used to purchase.

The debtor drawdown facility is limited to the lower of 90% of debtors or £9 million. The facility is secured on all trade debtors and also a chattel mortgage on all fixed assets other than those which are specifically mortgaged to secure the bank loan.

Notes *(continued)*

19 Interest-bearing loans and borrowings *(continued)*

Terms and debt repayment schedule

Group	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Bank loan	GBP	LIBOR plus a margin of 2.25%	2019	Monthly payments	1,885	2,275
Finance lease liabilities	GBP	Various	Various	Monthly Payments	365	316
Debtor finance drawdown	GBP	Base rate Plus 1.95%	N/A	N/A	2,694	-
					4,944	2,591

Terms and debt repayment schedule (continued)

Company	Currency	Nominal interest rate	Year of maturity	Repayment schedule	2016 £000	2015 £000
Shareholder loan					-	323
					-	323

20 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

Group	Minimum lease payments 2016 £000	Minimum lease payments 2015 £000
Less than one year	157	147
Between one and five years	208	168
More than five years	-	-
	365	313

Notes *(continued)*

21 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Group	**Assets**		**Liabilities**		**Net**	
	2016	2015	**2016**	2015	**2016**	2015
	£000	£000	**£000**	£000	**£000**	£000
Depreciation in excess of capital allowances	**(142)**	(263)	**-**	-	**(142)**	(263)
Other timing differences	**(1)**	-	**-**	-	**(1)**	-
Net tax (assets) / liabilities	**(143)**	(263)	**-**	-	**(143)**	(143)

22 Employee benefits

Defined contribution plans

Group

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current year was £110,000 *(2015: £97,000).*

23 Capital and reserves

Share capital

In thousands of shares	**Ordinary shares**
On issue at 1 April	**100**
Issued for cash	**-**
On issue at 31 March – fully paid	**100**

	2016	2015
	£000	£000
Allotted, called up and fully paid		
100,000 ordinary shares of £1 each	**100**	100
	100	100
Shares classified in shareholders' funds	**-**	-
	100	100

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Notes *(continued)*

24 Financial instruments

(a) Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2016	2015
	£000	£000
Assets measured at amortised cost	**14,588**	7,068
Liabilities measured at amortised cost	**(7,466)**	(7,102)
Loan commitments measured at cost less impairment	**(4,944)**	(2,914)

25 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Group		**Company**	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Less than one year	**1,065**	1,069	-	-
Between one and five years	**1,058**	2,123	-	-
	2,123	**2,123**	-	-

During the year £1,016,000 was recognised as an expense in the profit and loss account in respect of operating leases *(2015: £676,000).*

26 Commitments

Capital commitments

Contractual commitments to purchase tangible fixed assets at the year-end were £1,127,000 *(2015: £nil)* Company: £nil *(2015: £nil).*

Notes *(continued)*

27 Related parties

Group

Transactions with key management personnel

Total compensation of key management personnel in the year amounted to £942,000 (2015: £ 897,000).

Other related party transactions

	Sales to		Administrative expenses incurred from	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Grove Industries Limited	-	-	**126**	126
Other related parties				
• Ashworth Limited	**141**	-	-	-
• Bearmach Industries Limited	**1**	-	-	-
• Davicon Limited	**53**	42	-	-
• VIP Polymers Limited	**9**	-	-	-
• Ferrograph Limited	**113**	25	-	-
• Foxton	-	5	-	-
	317	72	**126**	126-

	Receivables outstanding		Creditors outstanding	
	2016	2015	**2016**	2015
	£000	£000	**£000**	£000
Grove Industries Limited	-	-	**13**	13
Other related parties				
• Davicon Limited	**7**	-	-	-
• VIP Polymers Limited	**12**	-	-	-
• Ferrograph Limited	**7**	6	-	-
	26	6	**13**	13

The other related parties are subsidiaries of Grove Industries Limited, the previous ultimate parent company.

On 22 March 2016, the Synyang division of the GI Solutions Group Limited was sold for £157,000 to the previously dormant company Synyang Limited, a company owned by GI Solutions Holdings Limited. Synyang Limited was then sold to Paul Thomas who had been a director of GO Solutions Group Limited until 22 March 2016.

28 Ultimate parent company and parent company of larger group

Until 22 March 2016, the Company was a subsidiary undertaking of Grove Industries Limited, and the Ultimate parent undertaking was Grove Industries Limited through its ownership of 60% of the share capital of GI Solutions Holdings Limited. On 22 March 2016, the entire share capital of GI Solutions Holdings Limited was acquired by GI Solutions Group Holdings Limited and this company is now the ultimate controlling party.

29 Subsequent event

There have been no post balance sheet events that impact on these accounts.

Notes *(continued)*

30 Accounting estimates and judgements

Critical accounting judgements and estimates

The following provides information on those policies that management considers critical because of the level of judgement and estimation required which often involves assumptions regarding future events which can vary from what is anticipated. The Directors believe that the financial statements reflect appropriate judgements and estimates and provide a true and fair view of the Group's performance and financial position.

b) Business combinations and intangible assets

FRS 102 requires the identification of acquired intangible assets as part of a business combination. The methods used to value such intangible assets require the use of estimates such as customer attrition, cash flow generation from the existing relationships with customers and returns on other assets. Future results are impacted by the amortisation periods adopted and changes to the estimated useful lives would result in different effects on the income statement and balance sheet.

Goodwill is measured as cost less accumulated amortisation and impairment losses. Tests for impairment are based on discounted cash flows and assumptions (including discount rates, timing and growth prospects) which are inherently subjective. The Company performs various sensitivity analyses in respect of the tests for impairment. The useful lives of the Company's finite-lived intangible assets are reviewed following the tests for impairment annually.

Judgement may also be required in determining the fair value of other assets acquired and liabilities (including contingent liabilities) assumed.

c) Taxation

Liabilities for tax contingencies require management judgements and estimates in respect of tax issues and exposures in each of the jurisdictions in which it operates. Management is also required to make an estimate of the current tax liability together with an assessment of the temporary differences which arise as a consequence of different accounting and tax treatments. Where management conclude that a tax position is uncertain, a current tax liability is held for anticipated taxes that are considered probable based on the information available. Management may engage with professional advisors in making their assessment and, if appropriate, will liaise with the relevant taxation authorities to resolve the matter. The tax liability is reassessed in each period to reflect management's best estimate in light of information available. If the final outcome of these matters differs to the liability held in the financial statements, the difference may impact the income tax charge / (credit) in the year the matter is concluded.

d) Provisions

Provisions are set at management's best estimate of exposure, in cases where there is a probable legal or constructive obligation as a result of a past event, based on currently available information. By their nature, these provisions are judgemental, reflecting management's assessment of factors such as likelihood of product returns and warranty claims, timing of liabilities and possible amounts involved. The Group performs appropriate sensitivity analysis in respect of provision judgements that are material.

e) Depreciation

Property, plant and equipment represent a significant proportion of the asset base of the Group. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Group's financial position and performance. The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Decreasing an asset's expected life or its residual value would result in a higher depreciation charge in the income statement. The useful lives of the Group's assets are determined by management at the time the asset is acquired and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life, such as changes in technology. Historically, changes in useful lives and residual values have not resulted in material changes to the Group's depreciation charge.

31 Explanation of transition to FRS 102 from old UK GAAP

As stated in note 1, these are the Group's and the Company's first financial statements prepared under FRS 102. The Group has made no recognition or measurement adjustments.