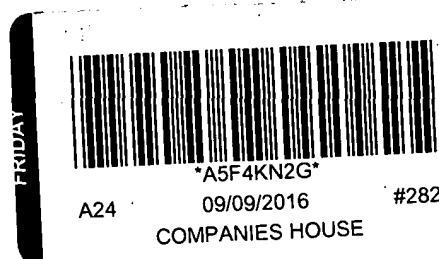


Company Registration No. 06752963 (England and Wales)

**MELCAIN LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2015**



# MELCAIN LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	J Newman A Levene J Kellington J Goldstone
<b>Secretary</b>	J Kellington
<b>Company number</b>	06752963
<b>Registered office</b>	C/o UHY Hacker Young St James Building 79 Oxford Street Manchester M1 6HT
<b>Auditor</b>	UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
<b>Bankers</b>	The Co-Operative Bank plc 1 Balloon Street Manchester M60 4EP

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# MELCAIN LIMITED

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# MELCAIN LIMITED

## STRATEGIC REPORT

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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The directors present the strategic report for the year ended 31 December 2015.

### **Fair review of the business**

The directors consider the results of the group to be well above expectations for the year in terms of turnover but below expectations regarding gross margin.

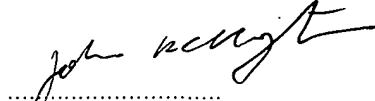
As stated in the accounts for 2014, our financial risk objective is to minimise exposure to foreign exchange risk, and to ensure the business manages its surplus cash to reduce any financial costs possible. This was achieved in 2015 with a large reduction in financing cost due to a change in the Banking facilities provider.

Our main KPI's are gross profit and debtor days. Gross profit reduced from £6.7m in 2014 to £6m in 2015. This was due to the increasingly competitive market and alternative product lines taking longer than expected to launch to market. We expect margins to increase in 2016.

Debtor days again remained under 60 for the 4th year in a row which achieves our objective.

Our non-financial objective is the reduction of staff sick days. This showed an increase from 3.7 per employee to 5.1. The national average is 4.1. This higher figure was mainly due to 2 employees having a long term sickness.

On behalf of the board



J Kellington

Director

5/9/16

# MELCAIN LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2015

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The directors present their annual report and financial statements for the year ended 31 December 2015.

#### Principal activities

The company has not traded in the year. The principal activity of the company continued to be that of a holding company.

The principal activity of the group relates to that of to that of the subsidiary company, Eurosimm Limited, which is the supply of IT products.

#### Directors

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

J Newman  
A Levene  
J Kellington  
J Goldstone

#### Results and dividends

The results for the year are set out on page 6.

Ordinary dividends were paid amounting to £830,726. The directors do not recommend payment of a further dividend.

#### Financial instruments

The company has a normal level of exposure to price, credit, liquidity and cash flow risks arising from its trading activities which are only conducted in sterling. The company does not enter into any hedging transactions.

#### Future developments

We continue to source alternative suppliers from the UK and Europe, and have various alternative product distribution opportunities to explore in 2016.

# MELCAIN LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2015**

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### 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:

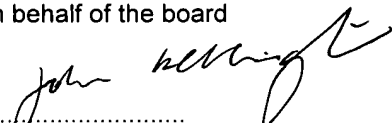
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;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

### Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually 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



J Kellington

Director

5/9/16

# MELCAIN LIMITED

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MELCAIN LIMITED

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We have audited the group and parent company financial statements (the "financial statements") of Melcain Limited for the year ended 31 December 2015 set out on pages 6 to 27. 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 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 pages 2 - 3, 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.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2015 and of its profit 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.

### **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.

# MELCAIN LIMITED

## INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF MELCAIN LIMITED

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### 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.



Mark Robertson (Senior Statutory Auditor)  
for and on behalf of UHY Hacker Young Manchester LLP

8/9/16

Chartered Accountants  
Statutory Auditor

St James Building  
79 Oxford Street  
Manchester  
M1 6HT



# MELCAIN LIMITED

## GROUP STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	2014 £
Turnover	3	46,537,628	45,046,181
Cost of sales		(40,569,258)	(38,393,769)
<b>Gross profit</b>		<b>5,968,370</b>	<b>6,652,412</b>
Distribution costs		(497,319)	(422,117)
Administrative expenses		(4,283,217)	(4,366,113)
<b>Operating profit</b>	4	<b>1,187,834</b>	<b>1,864,182</b>
Interest payable and similar charges	8	-	(1,148)
<b>Profit before taxation</b>		<b>1,187,834</b>	<b>1,863,034</b>
Taxation	9	(272,751)	(427,816)
<b>Profit for the financial year</b>	21	<b>915,083</b>	<b>1,435,218</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the year</b>		<b>915,083</b>	<b>1,435,218</b>

Total comprehensive income for the year is all attributable to the owners of the parent company.

The profit and loss account has been prepared on the basis that all operations are continuing operations.

# MELCAIN LIMITED

## GROUP BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
<b>Fixed assets</b>					
Goodwill	11	996,743		1,162,867	
Other intangible assets	11	70,840		68,005	
Total intangible assets		1,067,583		1,230,872	
Tangible assets	12	496,481		202,150	
		1,564,064		1,433,022	
<b>Current assets</b>					
Stocks	14	3,785,640		4,263,090	
Debtors	15	7,395,969		8,062,939	
Cash at bank and in hand		397,207		337,818	
		11,578,816		12,663,847	
<b>Creditors: amounts falling due within one year</b>	16	(7,925,083)		(9,005,328)	
<b>Net current assets</b>		3,653,733		3,658,519	
<b>Total assets less current liabilities</b>		5,217,797		5,091,541	
<b>Provisions for liabilities</b>	18	(70,821)		(28,922)	
<b>Net assets</b>		5,146,976		5,062,619	
<b>Capital and reserves</b>					
Called up share capital	20	1,000		1,000	
Profit and loss reserves	21	5,145,976		5,061,619	
<b>Total equity</b>		5,146,976		5,062,619	

The financial statements were approved by the board of directors and authorised for issue on 5/9/16 and are signed on its behalf by

J Kellington  
Director

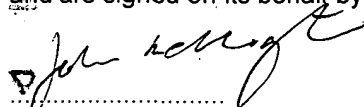
# MELCAIN LIMITED

## COMPANY BALANCE SHEET

AS AT 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
<b>Fixed assets</b>					
Investments	13		4,142,420		4,142,420
<b>Current assets</b>					
Debtors	15	1,000		1,000	
<b>Creditors: amounts falling due within one year</b>	16	(4,142,420)		(4,142,420)	
<b>Net current liabilities</b>			(4,141,420)		(4,141,420)
<b>Total assets less current liabilities</b>			1,000		1,000
<b>Capital and reserves</b>					
Called up share capital	20		1,000		1,000

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



J Kellington  
Director

Company Registration No. 06752963

# MELCAIN LIMITED

## GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2014		1,000	4,426,612	4,427,612
		<hr/>	<hr/>	<hr/>
Period ended 31 December 2014:				
Profit and total comprehensive income for the year		-	1,435,218	1,435,218
Dividends	10	-	(800,211)	(800,211)
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2014		1,000	5,061,619	5,062,619
		<hr/>	<hr/>	<hr/>
Period ended 31 December 2015:				
Profit and total comprehensive income for the year		-	915,083	915,083
Dividends	10	-	(830,726)	(830,726)
		<hr/>	<hr/>	<hr/>
Balance at 31 December 2015		1,000	5,145,976	5,146,976
		<hr/>	<hr/>	<hr/>

# MELCAIN LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 January 2014</b>		1,000	-	1,000
<b>Year ended 31 December 2014:</b>				
Profit and total comprehensive income for the year		-	800,211	800,211
Dividends	10	-	(800,211)	(800,211)
<b>Balance at 31 December 2014</b>		1,000	-	1,000
<b>Year ended 31 December 2015:</b>				
Profit and total comprehensive income for the year		-	830,726	830,726
Dividends	10	-	(830,726)	(830,726)
<b>Balance at 31 December 2015</b>		1,000	-	1,000

# MELCAIN LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	2015 £	£	2014 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	25	1,934,458		892,983	
Income taxes paid		(425,542)		(445,619)	
<b>Net cash inflow from operating activities</b>		<u>1,508,916</u>		<u>447,364</u>	
<b>Investing activities</b>					
Purchase of intangible assets		(14,555)		-	
Purchase of tangible fixed assets		(393,062)		(112,470)	
<b>Net cash used in investing activities</b>		<u>(407,617)</u>		<u>(112,470)</u>	
<b>Financing activities</b>					
Invoice discounting		(211,184)		210,322	
Repayment of other long term loans		-		(7,969)	
Dividends paid to equity shareholders		(830,726)		(800,211)	
<b>Net cash used in financing activities</b>		<u>(1,041,910)</u>		<u>(597,858)</u>	
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>59,389</u>		<u>(262,964)</u>	
Cash and cash equivalents at beginning of year		<u>337,818</u>		<u>600,782</u>	
<b>Cash and cash equivalents at end of year</b>		<u><u>397,207</u></u>		<u><u>337,818</u></u>	

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

---

### 1 Accounting policies

#### Company information

Melcain Limited ("the company") is a limited company domiciled and incorporated in England and Wales. The registered office is C/o UHY Hacker Young, St James Building, 79 Oxford Street, Manchester, M1 6HT.

The group consists of Melcain 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 sterling, 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 on the historical cost convention. The principal accounting policies adopted are set out below.

These group and company financial statements for the year ended 31 December 2015 are the first financial statements of Melcain 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 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 29.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £830,726 (2014 - £800,211 profit).

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate those of Melcain Limited and all of its subsidiaries (ie 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 31 December 2015. 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.

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.

#### 1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

#### 1.4 Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer.

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

---

### 1 Accounting policies

(Continued)

#### 1.5 Intangible fixed assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and representing the excess of the consideration given over the fair value of the identifiable net assets acquired, has been capitalised in the group balance sheet and is amortised over its estimated economic life, being 10 years.

#### 1.6 Intangible fixed assets other than goodwill

Intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

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	15% reducing balance
----------	----------------------

If there is an indication that there has been a significant change in amortisation rate or residual value of an asset, the amortisation of that asset is revised prospectively to reflect the new expectations.

#### 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:

Leasehold improvements	15% reducing balance
Fixtures, fittings & equipment	15% reducing balance
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.

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.8 Impairment of fixed assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carry amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost is calculated using the weighted average cost method. Provision is made for obsolete, slow-moving or defective items where appropriate.



# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

---

### 1 Accounting policies

(Continued)

#### 1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.11 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

---

### 1 Accounting policies

(Continued)

#### **Classification of financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities.

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

#### **Derecognition of financial liabilities**

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

### 1.12 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.

### 1.13 Taxation

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

#### **Current tax**

Current tax is recognised for the amount of income tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

---

### 1 Accounting policies

(Continued)

#### **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.

#### **1.14 Employee benefits**

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

#### **1.15 Retirement benefits**

The group operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

#### **1.16 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

#### **1.17 Foreign exchange**

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

### 2 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.

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 3 Turnover and other revenue

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

	2015 £	2014 £
<b>Turnover</b>		
Sale of goods	46,482,278	44,978,606
Rendering of services	55,350	67,575
	<u>46,537,628</u>	<u>45,046,181</u>

#### Turnover analysed by geographical market

	2015 £	2014 £
UK	26,403,581	24,455,554
Rest of Europe	15,245,409	18,865,890
Rest of the world	4,888,638	1,724,737
	<u>46,537,628</u>	<u>45,046,181</u>

### 4 Operating loss

	2015 £	2014 £
Operating loss for the year is stated after charging/(crediting):		
Exchange (losses)/gains	200,160	(13,595)
Depreciation of owned tangible fixed assets	73,966	24,388
Profit on disposal of tangible fixed assets	24,764	5,872
Amortisation of intangible assets	177,845	95,182
Profit on disposal of intangible assets	-	745
Cost of stocks recognised as an expense	40,484,444	38,327,150
Operating lease charges		97,677
	<u></u>	<u></u>

### 5 Auditor's remuneration

	2015 £	2014 £
Fees payable to the company's auditor and associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	2,000	2,000
Audit of the company's subsidiaries	17,000	18,950
	<u>19,000</u>	<u>20,950</u>

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 6 Employees

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

2015 Number	2014 Number
3	3
60	54
<u>63</u>	<u>57</u>

Their aggregate remuneration comprised:

	2015 £	2014 £
Wages and salaries	2,170,580	2,243,419
Social security costs	212,524	205,734
Pension costs	48,353	54,265
	<u>2,431,457</u>	<u>2,503,418</u>

### 7 Directors' remuneration

	2015 £	2014 £
Remuneration for qualifying services	30,568	174,673
Company pension contributions to defined contribution schemes	21,370	21,370
	<u>51,938</u>	<u>196,043</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 3 (2014 - 3).

### 8 Interest payable and similar charges

	2015 £	2014 £
<b>Other finance costs:</b>		
Other interest	-	1,148
Total finance costs	<u>-</u>	<u>1,148</u>

### 9 Taxation

	2015 £	2014 £
UK corporation tax on profits for the current period	<u>230,852</u>	<u>425,543</u>

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 9 Taxation (Continued)

#### Deferred tax

Origination and reversal of timing differences	41,899	2,273
	<u>          </u>	<u>          </u>
Total tax charge	272,751	427,816
	<u>          </u>	<u>          </u>

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

	2015 £	2014 £
Profit before taxation	1,187,834	1,863,034
	<u>          </u>	<u>          </u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.25% (2014: 21.49%)	240,536	400,366
Tax effect of expenses that are not deductible in determining taxable profit	37,890	31,739
Depreciation add back	17,351	7,846
Capital allowances	(64,925)	(12,592)
Other tax adjustments	-	(1,816)
Deferred tax	41,899	2,273
	<u>          </u>	<u>          </u>
Tax expense for the year	272,751	427,816
	<u>          </u>	<u>          </u>

### 10 Dividends

	2015 £	2014 £
Final paid	830,726	800,211
	<u>          </u>	<u>          </u>

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 11 Intangible fixed assets

Group	Goodwill £	Software £	Total £
<b>Cost</b>			
At 1 January 2015	1,661,239	199,097	1,860,336
Additions - separately acquired	-	14,555	14,555
At 31 December 2015	1,661,239	213,652	1,874,891
<b>Amortisation and impairment</b>			
At 1 January 2015	498,372	131,091	629,463
Amortisation charged for the year	166,124	11,721	177,845
At 31 December 2015	664,496	142,812	807,308
<b>Carrying amount</b>			
At 31 December 2015	996,743	70,840	1,067,583
At 31 December 2014	1,162,867	68,005	1,230,872

#### 12 Tangible fixed assets

Group	Leasehold improvements £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
<b>Cost</b>				
At 1 January 2015	158,074	125,025	69,727	352,826
Additions	133,974	259,088	-	393,062
Disposals	(78,204)	(32,094)	-	(110,298)
At 31 December 2015	213,844	352,019	69,727	635,590
<b>Depreciation and impairment</b>				
At 1 January 2015	64,154	59,684	26,838	150,676
Depreciation charged in the year	24,056	34,978	14,932	73,966
Eliminated in respect of disposals	(65,032)	(20,501)	-	(85,533)
At 31 December 2015	23,178	74,161	41,770	139,109
<b>Carrying amount</b>				
At 31 December 2015	190,666	277,858	27,957	496,481
At 31 December 2014	93,922	65,341	42,887	202,150

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2015

#### 13 Fixed asset investments

	Notes	Group 2015 £	2014 £	Company 2015 £	2014 £
Investments in subsidiaries	23	-	-	4,142,420	4,142,420

#### 14 Stocks

	Group 2015 £	2014 £	Company 2015 £	2014 £
Finished goods and goods for resale	3,785,640	4,263,090	-	-

#### 15 Debtors

	Group 2015 £	2014 £	Company 2015 £	2014 £
<b>Amounts falling due within one year:</b>				
Trade debtors	6,429,506	7,053,223	-	-
Unpaid share capital	1,000	1,000	1,000	1,000
Other debtors	855,069	873,546	-	-
Prepayments and accrued income	110,394	135,170	-	-
	7,395,969	8,062,939	1,000	1,000

#### 16 Creditors: amounts falling due within one year

	Group 2015 £	2014 £	Company 2015 £	2014 £
Loans and overdrafts	591,882	653,049	-	-
Corporation tax payable	230,853	425,543	-	-
Other taxation and social security	598,244	341,109	-	-
Trade creditors	3,217,482	4,031,541	-	-
Amounts due to subsidiary undertakings	-	-	4,142,420	4,142,420
Other creditors	2,572,347	3,012,939	-	-
Accruals and deferred income	714,275	541,147	-	-
	7,925,083	9,005,328	4,142,420	4,142,420

Loans and overdrafts relate to amounts owed to directors totalling £591,882 (2014 - £653,049). These are not secured.

Other creditors includes an invoice discounting facility totalling £2,541,591 (2014 - £3,002,775). The invoice discounting balance is secured by a debenture and a floating charge over the assets of the company.



# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 17 Provisions for liabilities

		Group 2015 £	2014 £	Company 2015 £	2014 £
Deferred tax liabilities	18	70,821	28,922	-	-
		<u>70,821</u>	<u>28,922</u>	<u>-</u>	<u>-</u>

### 18 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2015 £	Liabilities 2014 £
Group		
Accelerated capital allowances	70,821	28,922
	<u>70,821</u>	<u>28,922</u>

#### Movements in the year:

Liability at 1 January 2015	28,922
Charge to profit or loss	41,899
Liability at 31 December 2015	<u>70,821</u>

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

### 19 Retirement benefit schemes

	2015 £	2014 £
Defined contribution schemes		
Charge to profit and loss in respect of defined contribution schemes	48,353	54,265
	<u>48,353</u>	<u>54,265</u>

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund.

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 20 Share capital

	Group and company	
	2015	2014
	£	£
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
85,000 "A" Ordinary shares of 1p each	850	850
15,000 "B" Ordinary shares of 1p each	150	150
	<u>1,000</u>	<u>1,000</u>

The Ordinary A shares and Ordinary B shares rank parri passu in all respects.

Options have been granted to certain directors under the Melcain Limited Enterprise Management Incentive Scheme, at a redeemable option price of £41.42 per share. The options are only exercisable upon the sale of the company. At 31 December 2015 options had been granted, and had not expired, in respect of 11,110 (2014 - 11,110) "A" Ordinary shares of £0.01 under this scheme.

### 21 Reserves

#### Profit and loss reserves

Profit and loss account - includes all current and prior period retained profits and losses, net of dividends paid.

### 22 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		Company	
	2015	2014	2015	2014
	£	£	£	£
Within one year	90,371	-	-	-
Between two and five years	590,509	-	-	-
In over five years	620,186	-	-	-
	<u>1,301,066</u>	<u>-</u>	<u>-</u>	<u>-</u>

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 23 Subsidiaries

Details of the company's subsidiaries at 31 December 2015 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct
Eurosim Limited	England	Supply of IT products	Ordinary	100.00

All companies detailed above are included within these consolidated accounts.

### 24 Controlling party

The ultimate controlling parties are A Levene and J Newman by virtue of their directorships and shareholding in the company.

25 Cash generated from operations	2015 £	2014 £
Profit for the year after tax	915,083	1,435,218
Adjustments for:		
Taxation charged	272,751	427,816
Finance costs	-	1,148
Loss on disposal of tangible fixed assets	24,764	6,617
Amortisation and impairment of intangible assets	177,845	95,182
Depreciation and impairment of tangible fixed assets	73,966	24,388
Movements in working capital:		
Decrease/(increase) in stocks	477,450	(715,870)
Decrease/(increase) in debtors	666,970	(960,900)
(Decrease)/increase in creditors	(674,371)	579,384
<b>Cash generated from operations</b>	<b>1,934,458</b>	<b>892,983</b>

### 26 Related party transactions

#### Remuneration of key management personnel

The directors of the company are considered to be the key management personnel. Directors remuneration is disclosed in note 7.

No guarantees have been given or received.

Dividends totalling £830,726 (2014 - £800,211) were paid in the year in respect of shares held by the company's directors.

## MELCAIN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

#### 27 Reconciliations on adoption of FRS 102

##### Reconciliation of equity - group

	Notes	At 1 January 2014			At 31 December 2014			FRS 102 £
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	Prior year adjustment £	
<b>Fixed assets</b>								
Goodwill		1,245,929	-	1,245,929	1,162,867	-	-	1,162,867
Other intangibles	1	-	80,870	80,870	-	68,005	-	68,005
Tangible assets	1	200,810	(80,870)	119,940	270,155	(68,005)	-	202,150
		<u>1,446,739</u>	<u>-</u>	<u>1,446,739</u>	<u>1,433,022</u>	<u>-</u>	<u>-</u>	<u>1,433,022</u>
<b>Current assets</b>								
Stocks		3,547,220	-	3,547,220	4,263,090	-	-	4,263,090
Debtors		7,102,039	-	7,102,039	8,062,939	-	-	8,062,939
Bank and cash		600,782	-	600,782	337,818	-	-	337,818
		<u>11,250,041</u>	<u>-</u>	<u>11,250,041</u>	<u>12,663,847</u>	<u>-</u>	<u>-</u>	<u>12,663,847</u>

# MELCAIN LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

### 27 Reconciliations on adoption of FRS 102

(Continued)

	Notes	At 1 January 2014			At 31 December 2014			
		Previous UK GAAP £	Effect of transition £	FRS 102 £	Previous UK GAAP £	Effect of transition £	Prior year adjustment £	FRS 102 £
<b>Creditors due within one year</b>								
Loans and overdrafts		(524,890)	-	(524,890)	(653,049)	-	-	(653,049)
Taxation		(649,293)	-	(649,293)	(766,652)	-	-	(766,652)
Other creditors		(7,068,336)	-	(7,068,336)	(7,585,627)	-	-	(7,585,627)
		(8,242,519)	-	(8,242,519)	(9,005,328)	-	-	(9,005,328)
Net current assets		3,007,522	-	3,007,522	3,658,519	-	-	3,658,519
Total assets less current liabilities		4,454,261	-	4,454,261	5,091,541	-	-	5,091,541
<b>Provisions for liabilities</b>								
Deferred tax		(26,649)	-	(26,649)	(28,922)	-	-	(28,922)
Net assets		4,427,612	-	4,427,612	5,062,619	-	-	5,062,619
<b>Capital and reserves</b>								
Share capital		1,000	-	1,000	1,000	-	-	1,000
Profit and loss		4,426,612	-	4,426,612	5,061,619	-	-	5,061,619
Total equity		4,427,612	-	4,427,612	5,062,619	-	-	5,062,619

## MELCAIN LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

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#### 27 Reconciliations on adoption of FRS 102

(Continued)

##### Notes to reconciliations on adoption of FRS 102

#### 1 Software reclassification

Computer software, with a net book value of £80,870 at 1 January 2014, has been reclassified from tangible to intangible assets as required under FRS 102. This has no effect on the group's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.