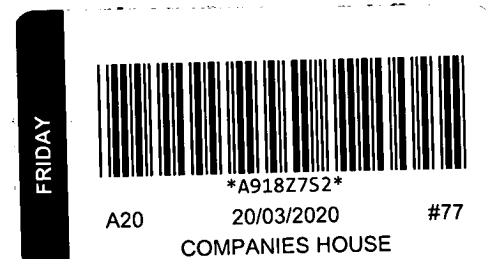


Financial Statements

Getronics Services UK Limited

For the year ended 31 December 2018



Registered number: 07966594

Getronics Services UK Limited
Registered number:07966594

Company Information

Directors

S Humphreys
B Taylor

Registered number

07966594 (England and Wales)

Registered office

Holland House
1 – 4 Bury Street
London, England
EC3A 5AW

Independent auditor

BDO UK LLP
55 Baker Street
Marylebone
London
W1U 7EU

Solicitors

Howes Percival LLP
Nene House
4 Rushmills
Northampton
NN4 7YB

Bankers

Barclays Bank plc.
London Corporate Banking
1 Churchill Place
London
E14 5HP

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Strategic Report

For the Year Ended 31 December 2018

The Directors present the Strategic report, Directors' report and the audited financial statements of the company for the year ended 31st December 2018. The Strategic Report has been prepared solely to provide additional information to shareholders to assess the company's strategies.

Business Review

Getronics Services UK Limited ("the Company" is a wholly owned subsidiary (indirectly held) of Bottega InvestCo Sarl Group.

Getronics is a global Information Communication Technology ("ICT") integrator, offering high quality end-to-end solutions including managed cloud services, managed services, mobility, security, unified communication, applications and professional services. Our delivery methodology is to leverage our resources globally, (including our Shared Service Centre model) to optimize our clients' infrastructure. Our services enable global coverage, while providing a strong regional focus. We provide services both in the public and private sectors, including healthcare and financial services.

There have not been any significant changes in the Company's principal activities in the year under review. The Directors are not aware, at the date of this report, of any likely changes in the Company's activities in the next year.

As shown in the Company's income statement, the Company's revenue for the year has decreased from £66,600k in 2017 to £58,320k in 2018. The Company is reporting a gross profit of £8,857k in 2018 against a gross profit of £9,719k in 2017. The overall gross margin, however, was stable during 2018 at 15.19% compared to 14.59% in 2017. The loss after taxation in 2018 was £3,856k compared to a loss after taxation in 2017 of £6,834k. The overall results for 2018 improved compared to the prior year as 2017 was impacted by exceptional restructuring costs of £2,520k. Restructuring also continued in 2018, however at a lower level of £1,428k.

The statement of financial position shows the Company's financial position at the year end. Net liabilities have increased from £5,901k to £9,950k. Net liabilities have increased due to an increase in short term Group inter-company funding to support the UK business. Details of amounts owed by/to its parent Company and fellow subsidiary undertakings are shown in note 22 of the financial statements.

Competition in the UK market has been increasing and the management team have been regularly reviewing the cost base to improve financial performance whilst also going through a major period of transition and transformation. During the last 12 months, the company has invested in several strategic initiatives namely:

- reducing its cost base to improve profitability;
- putting in place processes to drive revenue growth both organically and through acquisition; and
- repositioning and retraining the company's resources to develop new business in higher value propositions whilst continuing to invest and develop its traditional portfolio

Strategic Report (continued)

For the Year Ended 31 December 2018

Business Review (continued)

Key performance indicators used by the Group are revenue growth and gross margin.

The other key financial performance indicators used by management during the year were as below:

	2018	2017	Definition, method of calculation and analysis
Services gross profit excluding depreciation and amortisation as percentage of the turnover	19%	19%	Gross profit as percentage of turnover (excluding turnover and gross margin associated with the product resell business) is calculated as gross profit excluding depreciation and amortisation divided by turnover for the year.
Service revenue per full time employee (in thousands)	£103k	£102k	Service revenue per full time employee is calculated as service revenue for the year divided by the number of full-time employees at the end of the accounting year.

Principal Risks and Uncertainties

The management of the business and execution of the Group's strategy are subject to risks, including things outside of the control of management. The Board reviews risks and appropriate processes are put in place to monitor and mitigate them.

The principal themes of risk for the Company are:

- *Strategic:* changes in economic and market conditions such as contract pricing and competition;
- *Financial:* significant failures in internal systems of control and lack of corporate stability;
- *Operational:* including recruitment and retention of staff, maintenance of reputation, strong supplier and customer relationships, operational IT risk, and failures in information security controls; and
- *Compliance:* non-compliance with laws and regulations. The Company must comply with an extensive range of requirements that govern its business.

To mitigate the effect of these risks and uncertainties, the Company adopts a number of systems and procedures, including:

- A regular review of trading conditions to be able to respond quickly to changes in market conditions; and
- Procedures and controls to manage compliance, financial and operational risks, including adherence to an internal control framework.

Specific business risks affecting the Company and how the Company mitigates them are set out below:

- *Maintenance of market share* – The risk that the Company's market share is diminished. In order to mitigate this risk, the Company performs continuous work on improving and enhancing customer experience. Senior management regularly meets customers to receive feedback and keeps them updated with the changes in group activities, including the recent group financial restructuring.
- *Withdrawal of financial support by lenders* –To mitigate this risk, management provides a detailed monthly reporting pack to the Group's existing lenders, keeping them up to date with the progress in the business's performance. The Group recently received additional financial support from its existing lenders following a comprehensive review of its business plan post year end. Further, the existing lenders have confirmed to management that they are committed to supporting the Group with any further funding requirements to manage its working capital position.

Strategic Report (continued)

For the Year Ended 31 December 2018

Principal Risks and Uncertainties (continued)

- *Economic and political environment in the UK* - Continued uncertainty in the UK economy, principally as a result of BREXIT has impacted the growth of the UK ICT market. In order to mitigate this risk changes have been made to the Company's core portfolio of services, where they had become increasingly commoditised to customer needs.

Financial Risk Management Objectives and Policies

The main financial risks faced by the company and the associated policies adopted to mitigate these risks, are explained in more detail as follows:

Credit risk

The Company's credit risk is primarily attributable to its third party trade receivables. It monitors credit risk closely and considers that the current policy of credit checks meets the objectives of managing exposure in this area.

Liquidity risk

With additional lender funding received by the wider Getronics group in Q4, 2019, and with the commitment from the existing lenders that they will support the Group with any further funding requirement to manage working capital, sufficient liquidity is available to meet the identifiable needs of the Company.

Currency risk

As part of the Getronics Group the Company receives invoices from other group companies in foreign currency, mainly in Euros. Where possible the Company looks to offset balances within the Group to reduce the level of exposure to currency fluctuation.

Strategy and Future Outlook

Following a comprehensive review of the Getronics group and its prospects, the lenders determined that recapitalizing the business with a new investment and a reduction of debt will better position the wider Group to deliver long-term value. The investment from our existing stakeholders' signals confidence in the future of the wider Group and the value we deliver for customers every day.

The strategy remains aligned with the overall Group goal of achieving an EBITDA Margin of 20% by end of 2020 through the introduction of 3 key objectives: -

- Focussing on being a customer intimate business throughout its operations;
- Introduction of a continuous improvement philosophy, ensuring the business maintains a drive to become relentlessly efficient; and
- Developing and driving profitable sales growth.

ON BEHALF OF THE BOARD:



Director: S Humphreys

Date: 16 March 2020

Directors' Report

For the Year Ended 31 December 2018

Principal Activities

The principal activity of the company in the year under review was that of the provision of ICT Services and its portfolio comprised of the following service categories:

Workspace Management
Technology Transformation
Communications
Security
Applications
Managed Cloud Services

Dividends

No dividends will be distributed for the year ended 31st December 2018 (year ended 2017: £nil).

Directors

The directors who have held office during the period from 1st January 2018 to the date of signing this report are as follows:

N Baffour-Gyewu (appointed on 7th July 2017)¹
F Asante-Kissi (appointed on 7th July 2017)²
S Humphreys (appointed on 24 January 2020)
B Taylor (appointed on 24 January 2020)

Notes

1 Resigned on 24 January 2020.

2 Resigned on 24 January 2020.

The company had third party indemnity provision for the benefit of the directors in force during the period of these accounts and up to the date of the signing of the report.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives is provided at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communications with all employees continues through internal announcements, website articles and briefing groups and the distribution of the annual report.

Directors' Report (continued)

For the Year Ended 31 December 2018

Company's Policy on Payment of Creditors

The company is responsible for agreeing the terms and conditions, including terms of payment, under which business transactions with the company's suppliers are conducted.

While the company does not follow any single external code or standard, in line with Getronics Group policy, payments to suppliers are made in accordance with the agreed terms, provided that the supplier is also complying with all relevant terms and conditions.

Political and Charitable Contributions

The company did not make any political or charitable donations during 2018 (2017: £nil).

Directors' Responsibilities Statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for preparing the annual report in accordance with applicable law and regulations. The directors consider the annual report and the financial statements, taken as a whole, provides the information necessary to assess the company's performance, business model and strategy and is fair, balanced and understandable.

Directors' Report (continued)

For the Year Ended 31 December 2018

Directors' Responsibilities Statement (continued)

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going Concern

The Directors rely on the financial support of the Group in order that the Company can continue as a going concern. In forming their view on going concern, the Directors have had regard to the financial position and performance of the Group and the operating segment of the Group in which the Company sits.

In particular, the Group's lenders have provided significant new funding to the Group over the course of the last few months. This new funding has been provided based on the Group's new financial forecasts and the underlying financial prospects of the Group. The Directors of the Company are also satisfied with the lenders' commitment to continue supporting the Group, and the Directors believe that they will be in a position to provide such support.

The Company and Group have also appointed a new management team that are working with the lenders to structure the Group in order to deliver to the new forecasts.


The Directors therefore confirm that they have a reasonable expectation that the Group will have adequate resources to ensure that the Company continues in operational existence for the next 12 months from approval of these financial statements and accordingly these financial statements are prepared on a going concern basis.

Auditor

During the year Grant Thornton UK LLP resigned and BDO LLP were appointed as the Company's auditors.

Under section 487(2) of the Companies Act 2006, BDO UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

ON BEHALF OF THE BOARD:



Director: S Humphreys

Date: 16 March 2020

Independent Auditor's Report to the Members of Getronics Services UK Limited

For the Year Ended 31 December 2018

Opinion

We have audited the financial statements of Getronics Services UK Limited ("the Company") for the year ended 31 December 2018 which comprise Income Statement, Statement of other comprehensive income, Statement of financial position, Statement of changes in equity, Statement of Cash Flows and, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1 to the financial statements concerning the Company's ability to continue as a going concern. The company is reliant on the support of its parent company. The parent company meets its day-to-day working capital requirements through its bank facilities. The wider Getronics group is currently undergoing a restructuring process with its lenders and is in the process of recapitalizing the business with a new investment and a restructuring of the group's debt facility that is currently in default. Whilst discussions are ongoing, no binding agreement is in place. These conditions along with the other matters set out in note 1 indicate the existence of a material uncertainty, which may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work

Independent Auditor's Report to the Members of Getronics Services UK Limited

For the Year Ended 31 December 2018

Other information (continued)

we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the Members of Getronics Services UK Limited (continued)

For the Year Ended 31 December 2018

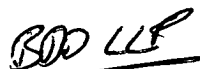
Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



David Butcher (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London, UK

16 March 2020

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

Income Statement

For the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Revenue	2	58,320	66,600
Cost of sales		<u>(49,463)</u>	<u>(56,881)</u>
Gross profit		8,857	9,719
Administrative expenses		<u>(10,785)</u>	<u>(13,336)</u>
Operating loss before exceptional items		(1,928)	(3,617)
Exceptional administrative expenses	4	<u>(1,428)</u>	<u>(2,520)</u>
Operating loss		(3,356)	(6,137)
Finance costs	5	<u>(280)</u>	<u>(555)</u>
Loss before income tax		(3,636)	(6,692)
Income tax	7	<u>(220)</u>	<u>(142)</u>
Loss for the year		<u>(3,856)</u>	<u>(6,834)</u>

Statement of Other Comprehensive Income

	2018 £'000	2017 £'000
Loss for the financial year	(3,856)	(6,834)
Other comprehensive income:	-	-
Total comprehensive (loss) for the year	<u>(3,856)</u>	<u>(6,834)</u>


The notes on pages 17 to 46 form part of these financial statements.

Statement of Financial Position

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
Assets			
Non-Current Assets			
Property, plant and equipment	10	3,362	4,806
Goodwill	8	1,321	1,321
Intangible assets	9	188	405
Deferred income tax assets	7	-	220
		<u>4,871</u>	<u>6,752</u>
Current Assets			
Inventories	11	150	528
Trade and other receivables	12	49,079	22,788
Cash and cash equivalents	25	1,073	-
Total Assets		<u>55,173</u>	<u>30,068</u>
Equity			
Shareholders' Equity			
Called up share capital	13	6,523	6,523
Share premium		11,162	11,162
Retained loss		(27,635)	(23,586)
Total Equity		<u>(9,950)</u>	<u>(5,901)</u>
Liabilities			
Non- Current Liabilities			
Borrowings	15	-	33
Provisions for other liabilities and charges	17	-	278
		<u>-</u>	<u>311</u>
Current Liabilities			
Trade and other payables	14	64,995	33,653
Bank overdrafts and borrowings	15	-	1,396
Provisions for other liabilities and charges	17	128	609
		<u>65,123</u>	<u>35,658</u>
Total Liabilities		<u>65,123</u>	<u>35,969</u>
Total Equity and Liabilities		<u>55,173</u>	<u>30,068</u>

The financial statements were approved by the Board of Directors on 16 March 2020 and were signed on its behalf by:


.....
Director - S Humphreys

The notes on pages 17 to 46 form part of these financial statements.

Statement of Changes in Equity

For the Year Ended 31 December 2018

	Called up share capital	Share premium	Retained Earnings	Total equity
	£'000	£'000	£'000	£'000
31 December 2017	6,523	11,162	(23,586)	(5,901)
Change in accounting policy due to IFRS 9 (note 1)	-	-	(193)	(193)
1st January 2018	6,523	11,162	(23,779)	(6,094)
Total comprehensive loss	-	-	(3,856)	(3,856)
Balance at 31 December 2018	6,523	11,162	(27,635)	(9,950)

	Called up share capital	Share premium	Retained Earnings	Total equity
	£'000	£'000	£'000	£'000
1st January 2017	6,523	11,162	(16,752)	933
Total comprehensive loss	-	-	(6,834)	(6,834)
Balance at 31 December 2017	6,523	11,162	(23,586)	(5,901)

The notes on pages 17 to 46 form part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Cash flows from operating activities			
Cash generated from / (used in) operations	24	2,108	(4,848)
Interest paid		(178)	(555)
Compensation for surrender of tax losses		-	247
Net cash from / (used in) operating activities		1,930	(5,156)
 Cash flows from investing activities			
Purchase of tangible fixed assets	10	(363)	(1,864)
Net cash used in investing activities		(363)	(1,864)
 Cash flows from financing activities			
Repayment of intercompany loans		17	389
Inter-company funds (net)		918	12,134
Short term borrowings		-	(7,000)
Repayment of finance of leases		(411)	(62)
Net cash from financing activities		524	5,461
 (Decrease) / increase in cash and cash equivalents		2,091	(1,559)
Cash and cash equivalents at beginning of period		(1,018)	541
 Cash and cash equivalents at end of period		1,073	(1,018)

The notes on pages 17 to 46 form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 31 December 2018

1 Accounting policies

Basis of preparation of financial statements

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statement, are disclosed in the critical accounting estimates and judgements section of this note.

Going Concern

These financial statements have been prepared on a going concern basis. The Directors have reviewed the Company's going concern position, taking account of its current business activities, business performance and the factors likely to affect its future developments. The ability of the company to continue as a going concern is contingent on the ongoing viability of the wider Group, and the support of its parent company. The wider Group relies on its borrowing facilities to meet its day-to-day working capital requirements through its bank facilities.

The wider Group meets its day-to-day working capital requirements through its bank facilities. The Directors of the wider Group have prepared cash flow forecasts covering a period of at least 12 months from the date of signing these financial statements. On the basis of these forecasts, the Group's lenders have provided significant new funding to the Group over the course of the last few months. The Group and Company have used the new funding to improve their working capital position and have also appointed a new management team that are working with the lenders to structure the Group in order to deliver to the new forecasts.

Based on these forecasts, the Group is reliant on the financial support of the lenders. Whilst discussions are ongoing, no binding agreement is in place. The Directors have obtained a confirmation from first lien lenders that states that the lenders will continue to provide ongoing financial support to the Group for the foreseeable future. The Directors believe that the parent company has appropriate measures in place to renegotiate the debt facility and restructure the group to ensure it is in a position to continue to provide financial support to the Company.

The Directors believe that the parent company has appropriate measures in place to renegotiate the debt facility, and that the lenders will be in a position to provide the required financial support for the Group to ensure it is in a position to continue to provide financial support to the Company. Therefore, the Directors have prepared the financial statements on a going concern basis. However, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

The financial statements do not include any adjustments should the going concern basis of preparation be inappropriate.

New and amended standards adopted by the company

The company has applied the following standards and amendments for the first time for its annual reporting period commencing 1 January 2018:

- IFRS 9, 'Financial Instruments'; and
- IFRS 15, 'Revenue from Contracts with Customers'.

The company had to change its accounting policies following the adoption of IFRS 9 and IFRS 15. The adoption of IFRS 15 has not had a material effect on the company's existing revenue recognition policy. The adoption of IFRS 9 and IFRS 15 did not have any impact on the amounts recognised in prior periods.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

New and amended standards adopted by the company (continued)

IFRS 9, 'Financial Instruments'

IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and a new impairment model for financial assets.

Trade receivables and contract assets

With the adoption of IFRS 9, the Company is required to assess the impairment of financial assets based on expected credit losses rather than losses incurred.

The expected credit losses on these financial assets are estimated from the initial recognition of the asset at each reporting date, using as a reference the past experience of the credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an assessment of both the current management and the forecast of future conditions.

Impact on the financial statements

As explained below, IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017 but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the subtotals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

Balance sheet (extract)	31 December 2017 £'000	IFRS 9 £'000	1 January 2018 £'000
Reserves			
Retained loss	(23,586)	(193)	(23,779)
Total equity	(5,901)	(193)	(6,094)

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out above. In accordance with the transitional provisions in paragraphs 7.2.15 and 7.2.26 of IFRS 9, comparative figures have not been restated.

The total impact on the Company's retained earnings as at 1 January 2018 is as follows:

	£'000
Closing retained loss 31 December 2017 – IAS 39	(23,586)
Adjustment to retained loss from adoption of IFRS 9 on 1 January 2018	(193)
Opening retained loss 1 January 2018 – IFRS 9	(23,779)

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

New and amended standards adopted by the company (continued)

In the current reporting period, the credit loss allowance has been increased to £697k in relation to trade receivables resulting in a charge for the year of £384k, as disclosed in note 12.

IFRS 15, 'Revenue from Contracts with Customers'

This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Variable consideration is included in the transaction price if it is highly probable that there will be no significant reversal of the cumulative revenue recognised when the uncertainty is resolved. There is no material impact to the financial statements but further details on the new policy are given below.

Revenue recognition

From 1st January 2018 Getronics Services UK Ltd have adopted a new revenue recognition standard, IFRS 15 Revenue from contracts with customers.

Application of this policy depends on the facts and circumstances present in a contract with a customer and will require the exercise of judgment, adopting the following approach:

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when (or as) Getronics satisfies a performance obligation.

At the inception of the contract, Getronics assesses the goods or services that have been promised to the customer and identifies as a performance obligation:

1. a good or service (or bundle of goods or services) that is distinct; or
2. a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

A series of distinct goods or services is transferred to the customer in the same pattern if both of the following criteria are met.

1. each distinct good or service in the series that Getronics promises to transfer consecutively to the customer would be a performance obligation that is satisfied over time (see below); and
2. a single method of measuring progress would be used to measure Getronics' progress towards complete satisfaction of the performance obligation to transfer each distinct good or service in the series to the customer.

A good or service is distinct if both of the following criteria are met.

1. the customer can benefit from the good or services on its own or in conjunction with other readily available resources; and
2. Getronics Group's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Revenue recognition (continued)

Factors for consideration as to whether a promise to transfer goods or services to the customer is not separately identifiable include but are not limited to:

1. Getronics provides a significant service of integrating the goods or services with other goods or services promised in the contract;
2. the goods or services significantly modify or customise other goods or services promised in the contract; and
3. the goods or services are highly interrelated or highly interdependent.

The transaction price is the amount to which Getronics expects to be entitled in exchange for the transfer of goods and services. When making this determination, Getronics considers past customary business practices.

Where a contract contains elements of variable consideration, Getronics estimates the amount of variable consideration to which it will be entitled under the contract.

Where a contract has multiple performance obligations, Getronics allocates the transaction price to the performance obligations in the contract by reference to their relative standalone selling prices.

Any overall discount compared to the aggregate of standalone selling prices is allocated between performance obligations on a relative standalone selling price basis. In certain circumstances, it is appropriate to allocate such a discount to some but not all the performance obligations.

Where consideration is paid in advance or in arrears, Getronics considers whether the contract includes a significant financing arrangement and, if so, adjust for the time value of money.

Revenue is recognised as control is passed, either over time or at a point in time. Control of an asset is defined as the ability to direct the use of and obtain substantially all the remaining benefits from the asset. This includes the ability to prevent others from directing the use of and obtaining the benefits from the asset.

The benefits related to the asset are the potential cash flows that may be obtained directly or indirectly. These include, but are not limited to:

- using the asset to produce goods or provide services;
- using the asset to enhance the value of other assets;
- using the asset to settle liabilities or to reduce expenses;
- selling or exchanging the asset;
- pledging the asset to secure a loan; and
- holding the asset.

Getronics recognises revenue over time if one of the following criteria is met:

- the customer simultaneously receives and consumes all the benefits provided by Getronics as Getronics performs;
- Getronics' performance creates or enhances an asset that the customer controls as the asset is created; or
- Getronics' performance does not create an asset with an alternative use to Getronics and Getronics has an enforceable right to payment for performance completed to date.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Revenue recognition (continued)

If Getronics does not satisfy its performance obligation over time, it satisfies it at a point in time. Revenue is therefore recognised when control is passed at a certain point in time. Factors that may indicate the point in time at which control passes include, but are not limited to:

- Getronics has a present right to payment for the asset.
- the customer has legal title to the asset.
- Getronics has transferred physical possession of the asset.
- the customer has the significant risks and rewards related to the ownership of the asset; and
- the customer has accepted the asset.

Managed Services Revenue Stream

The Company provides maintenance, support and management of customers' IT infrastructures and operations under fixed-price and variable-price contracts. Revenue from providing services is recognised in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided considering the customer simultaneously receives and consumes the benefits provided by the Company's performance as delivered by the Company and the company has an enforceable right to payment for the performance completed till date. Revenue is recognised based on monthly invoiced amounts as the service is delivered to the customer.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

Under IFRS 15 it is appropriate to recognise maintenance agreements and related services rendered over time. This policy is consistent with the policy followed under IAS 18.

Project Revenue Stream

Projects expand core work facilitating ad hoc requests tailoring specific requests to extend client capabilities. Revenue from providing services is recognised in the accounting period in which services are rendered. Each service within a project is priced separately based upon the unique nature of the project, total project revenue, expected risk market factors, and other relevant factors. Revenue is recognised based on discussions with the customers and acceptance of performance obligations. Non-financial measures such as KPI's ("key performance indicators") are tracked such as the overall number of incidents compared to the expected number of incidents, overall call waits, amount of time it takes to resolve an incident, etc. These indicators are tracked at both the contract and customer level and give the Company an understanding of the cost to the Company and the Company's overall performance and workload in comparison to the projected estimates as outlined in the cost-estimate. Project revenue is recognised on a percentage completion basis based on the percentage of time spent or other cost incurred in relation to the total cost of the project. Where cost or performance is not tied to progress, these are not included when measuring progress to date. This policy is consistent with the policy followed under IAS 18.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Revenue recognition (continued)

Product Revenue Stream

Product revenue comes from the sale of hardware to customers of other revenue streams. Revenue for the hardware is recognised at a point in time when the hardware is delivered, the legal title has passed and the customer has accepted the hardware. This policy is consistent with the policy followed under IAS 18.

Goodwill

Goodwill arising on the acquisition of the trade and assets of Getronics UK Limited is included as a separate line on the Statement of Financial Position, being the difference between the cost of the acquired assets and the fair values of the company's identifiable assets and liabilities. Goodwill is recognised as an asset and is tested for impairment annually or on such other occasions that events or changes in circumstances indicate that it might be impaired. Details of calculated goodwill are shown in note 7.

Impairment

The company reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss on an annual basis. Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested annually for impairment, or on such other occasions that events or changes in circumstances indicate that it might be impaired. The Directors are of the opinion that the assets have not suffered any impairment during the period.

Property, plant and equipment

Property, plant and equipment are shown at the lower of cost or net realisable value. Depreciation is provided on a straight line basis at the following annual rates in order to write off each asset over its estimated useful economic life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- 20 years
Leasehold property	- 25 years or the period of the lease if shorter
Machinery & equipment	- 14% - 20% on cost
Fixtures & fittings	- 25% on cost
MIS equipment	- 33% on cost

Intangible fixed assets

Intangible fixed assets are amortised on a straight line basis over their expected life:

Customer contracts and relations	- 20% on cost
Computer software	- 50% on cost

Amortisation of software is charged to cost of sales and amortisation of customer contracts and relations is charged within the administrative line in the company's Income Statement.

Inventories

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. A first in first out cost basis is applied when valuing inventories.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Taxation

Current taxes are based on the results shown in the financial statements and are calculated according to local tax rules, using tax rates enacted or substantially enacted by the statement of financial position date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the statement of financial position. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the income statement over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Share capital

Share capital is disclosed at the value at which the shares were issued. Different classes of share capital are disclosed in accordance with the disclosure requirements of the Companies Act 2006.

Financial instruments

Pursuant to IFRS 9, the Company is required to assess the impairment of financial assets based on expected credit losses rather than losses incurred. The expected credit losses on these financial assets are estimated from the initial recognition of the asset at each reporting date, using as a reference the past experience of the credit losses, adjusted for factors that are specific to the debtors or groups of debtors, the general economic conditions and an assessment of both, the current management and the forecast of future conditions.

Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days and are therefore classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional. Due to the short-term nature, the carrying value of current receivables is considered to be the same as the fair value. Details about the company's impairment policies and the calculation of the loss allowances are included above.

Credit risk assessments are performed on all new customers before contracting with them with subsequent reviews performed at defined periods.

The company applies IFRS 9's simplified approach to measuring expected credit losses which uses a lifetime expected loss approach for all trade receivables.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Trade receivables (continued)

To measure the expected credit losses, trade receivables have been analysed based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of 12 months before the relevant balance sheet date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The impairment loss is recognised within Administrative expenses in the Income Statement.

Intercompany borrowing

Interest bearing intercompany loans are recorded at the amount received. Finance charges are accounted for on an accruals basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Pursuant to IFRS 9, the company is required to assess intercompany receivables for impairment by considering whether the receivable is in the scope of IFRS 9 and the amount is repayable on demand as well as considering whether the borrowers have sufficient accessible highly liquid assets in order to repay the Company if demanded on the reporting date.

Trade payables

Trade payables are stated at their nominal value.

Cash and cash equivalents

Cash and cash equivalents comprises cash in hand, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Finance lease borrowings

Interest bearing finance leases are recorded at the amount received. Direct issue costs are expensed in the period in which payment is taken. Finance charges, including premiums payable on settlement, are accounted for on an accruals basis and are prepaid to the extent that payment is made in advance.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Finance lease borrowings (continued)

Financial instruments by category

	Loans and receivables	Other financial liabilities at amortised cost	2018 Total
	£'000	£'000	£'000
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments	13,696	-	13,696
Intercompany trade receivables	34,511	-	34,511
Total	48,207	-	48,207
Liabilities per Statement of Financial Position			
Borrowings excluding finance leases	-	2,032	2,032
Trade and other payables excluding non-financial liabilities	-	17,358	17,358
Intercompany trade payables	-	45,604	45,604
Total	-	64,995	64,995
	Loans and receivables	Other financial liabilities at amortised cost	2017 Total
	£'000	£'000	£'000
Assets per Statement of Financial Position			
Trade and other receivables excluding prepayments	14,769	-	14,769
Intercompany trade receivables	5,209	-	5,209
Total	19,978	-	19,978
Liabilities per Statement of Financial Position			
Borrowings excluding finance leases	-	2,016	2,016
Finance lease liabilities	-	411	411
Trade and other payables excluding non-financial liabilities	-	16,812	16,812
Intercompany trade payables	-	15,401	15,401
Bank overdraft	-	1,018	1,018
Total	-	35,658	35,658

Derivative financial instruments

No hedging derivatives were held at the year end. The foreign currency balances held at year end related to intercompany trade balances. The foreign currency gains and losses are incurred in the week in which payments are made or the monies received. The gains or losses are recognised in the income statement in the period or periods during which the foreign currency transaction affects the income statement.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Employee benefit costs

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the income statement in the period to which they relate.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rate of exchange prevailing at the year end. Transactions denominated in foreign currencies are recorded at actual exchange rates at the date of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the income statement.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated.

Provisions for restructuring costs are recognised when the company has a detailed formal plan for the restructuring which has been notified to affected parties.

Financial risk management

The company's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and interest risk) credit risk and liquidity risk. Finance requirements are reviewed by the Board and Corporate Finance on a monthly basis.

The treasury functions of the company are responsible for managing fund requirements which includes banking and cash flow management. Interest and foreign exchange exposures also form part of the treasury management responsibilities, ensuring adequate liquidity to meet the company's responsibilities.

Interest rate risk

The company finances its operations through a mixture of cash, intercompany loans and finance leases borrowings which are at fixed rates of interest. Management periodically reviews these to ensure that the rates are reasonable.

Liquidity risk

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. Cash flow forecasting is performed and aggregated at group level, company and Group finance monitors rolling forecasts for liquidity requirements to ensure the company has sufficient cash to meet its operational needs. Such forecasting takes into account consideration of the company's debt financing obligations.

The amounts disclosed in the table below are the contractual maturities of financial liabilities, including estimated interest payments.

	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000
2018				
Finance lease liabilities (incl. interest)	-	-	-	-
Intercompany loans (incl. interest)	-	1,688	-	-
Trade and other payables (excludes accruals and deferred revenue)	54,584	-	-	-

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Liquidity risk (continued)

	6 months or less £'000	6-12 months £'000	1-2 years £'000	2-5 years £'000
2017				
Finance lease liabilities (incl. interest)	147	249	44	-
Intercompany loans (incl. interest)	-	1,675	-	-
Trade and other payables (excludes accruals and deferred revenue)	<u>25,999</u>	<u>-</u>	<u>-</u>	<u>-</u>

Currency risk

The company is exposed to currency risk on purchases, sales, borrowings and cash that are denominated in a currency other than GBP- primary currency. Foreign exchange risk arises from transactions booked in foreign currencies.

Credit risk

The company manages credit risk for each new client before agreeing contracted payment and delivery terms and conditions. Credit risk arises from cash and financial borrowings as well as credit exposure to suppliers and customers, including outstanding receivables and committed transactions. If customers have an independent credit risk rating this is used to establish an approved credit rating, however in the event that this is not available credit management perform a credit risk assessment taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal and external ratings in accordance with agreed company limits. Utilisation of credit limits are monitored on a regular basis.

No credit limits were exceeded during the year and management does not believe the company has any significant concentrations of credit risk.

Capital management

The company's objective when managing capital is to safeguard the company's ability to continue as a going concern. The directors are aware of the current economic climate, financial risks and business uncertainties and have a framework to monitor and mitigate these risks. The parent company has indicated its willingness to support the company for the foreseeable future.

New standards and interpretations not yet adopted

IFRS 16 is effective for period after 1st January 2019, this is not expected to have a significant effect on the statements of the Company, however the impact is still being assessed. Management intends to implement IFRS 16 using the "cumulative catch up approach" and as if IFRS 16 had been applied since the commencement of the relevant lease. The Company will recognise the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application.

- IFRS 16 Leases (Issued on 13 January 2016)

<i>Effective date for annual periods beginning on/after</i>	<i>Expected impact</i>
01 January 2019	Still assessing impact

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

Notes to the Financial Statements

For the Year Ended 31 December 2018

Accounting policies (continued)

Critical accounting estimates and judgements

The preparation of the financial statements requires management to make judgements and estimates that effect the application of policies and reported amounts of assets and liabilities, income and expenses.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will seldom equal the related actual results. The estimates and assumptions that have a significant impact on the financial statements are highlighted below.

The key judgements are as follows:

Going Concern

The Group's going concern assessment is based on forecasts, projections of anticipated trading performance and a confirmation of support from first lien lenders. See further comments above.

Exceptional items

The company considers items of income and expense as exceptional where the nature of the item, or its magnitude, is material and likely to be non-recurring in nature so as to assist the user of the financial statements to better understand the results of the core operations of the Group. Details of exceptional items are shown in note 3.

Impairment review

Management have performed an impairment review of goodwill and intangible assets based on 5 year budget projects and forecasts. A discount rate of 10% has been applied. In their opinion no impairment provision is required for the year under review.

Revenue recognition

Management considers the detailed criteria for the recognition of revenue from the sale of good and services as set out in the Company's accounting policy, in particular the estimation of completion status of projects for project revenue. The majority of projects are invoiced and recognised based on the percentage of time spent or other cost incurred in relation to the total cost of the project. Where cost or performance is not tied to progress, these are not included when measuring progress to date.

Notes to the Financial Statements

For the Year Ended 31 December 2018

2. Revenue

Revenue can be disaggregated into three revenue streams as shown in the table below:

2018	Managed Services £'000	Project £'000	Product £'000	Total £'000
<i>Timing of revenue recognition</i>				
At a point in time	-	-	5,749	5,749
Over time	46,742	5,829	-	52,571
	46,742	5,829	5,749	58,320

2017	Managed Services £'000	Project £'000	Product £'000	Total £'000
<i>Timing of revenue recognition</i>				
At a point in time	-	-	6,295	6,295
Over time	50,685	9,620	-	60,305
	50,685	9,620	6,295	66,600

Revenue is generated from customers predominantly based in the UK.

3. Employees and Directors

	2018 £000	2017 £000
Wages and salaries	18,286	20,641
Social security costs	2,441	2,530
Other pension costs	892	887
Staff costs	21,619	24,058

The average monthly number of employees during the year was as follows:

	2018	2017
Operational	458	464
Sales, general and administration	65	70
	523	534

Notes to the Financial Statements

For the Year Ended 31 December 2018

3. Employees and Directors (continued)

	2018 £'000	2017 £'000
Directors' emoluments (including benefits in kind)	-	422
Directors' pension contributions to money purchase schemes	-	41
Directors' compensation for loss of office	-	577

The directors' remuneration shown above (excluding pension contributions) includes amounts paid to the highest paid director as follows:

	2018 £'000	2017 £'000
Aggregate emoluments (including benefits in kind)	-	253
Pension contributions paid	-	23
Compensation for loss of office	-	417

The number of directors to whom retirement benefits were accruing was as follows:

	2018	2017
Money purchase schemes	-	2

4. Exceptional Items

During the year the company continued with its 2017 strategy programme of ongoing operational and efficiency programmes and as a result incurred the restructuring costs noted below. Although a large restructuring was undertaken in 2017, there were further changes in 2018.

	2018 £'000	2017 £'000
Employee related restructuring costs	1,428	2,520
Exceptional items	1,428	2,520

5. Finance Costs

	2018 £'000	2017 £'000
Intercompany loan interest	102	111
Interest paid on finance leases	30	99
Bank overdraft interest	39	261
Other finance costs	109	84
Finance costs	280	555

Notes to the Financial Statements

For the Year Ended 31 December 2018

6. Loss before Income Tax

The loss before income tax is stated after charging:

	2018 £'000	2017 £'000
Cost of sales:		
Employee benefit expenses	17,522	16,372
Other operating leases	168	126
Depreciation – owned assets	1,224	1,087
Depreciation – assets on hire purchase contracts or finance leases	378	378
Amortisation of intangible assets - software	100	112
Administration expenses:		
Employee benefit expenses	4,097	7,686
Depreciation – owned assets	205	308
Amortisation of intangible assets – customer contracts and relations	116	355
Foreign exchange loss	220	319
Auditors' remuneration – audit services	72	70
Auditors' remuneration – corporation tax compliance	5	20

7. Income Tax

Analysis of tax expense

The tax charge is based on the loss for the year and comprises:

	2018 £'000	2017 £'000
Current tax		
UK corporation tax	-	-
Total current tax	-	-

The charge for the year can be reconciled to the loss per the income statement as follows:

	2018 £'000	2017 £'000
Loss before income tax	(3,356)	(6,692)
Tax on the standard rate in the UK 19% (2017 – 19%)	(638)	(1,271)
Effects of:		
Expenses not deductible for tax purposes	(108)	-
Tax losses available to carry forward	(530)	(1,271)
Deferred tax asset	(220)	(389)
Compensation for surrender of tax losses	-	247
Current tax credit/(charge) for the year	(220)	(142)

Notes to the Financial Statements

For the Year Ended 31 December 2018

7. Income Tax (continued)

Deferred tax was attributed to the timing differences in respect of intangible assets and inventory, the main corporation tax rate remained at 19% during the year.

Deferred taxes arising from unused tax losses are summarised as follows:

Deferred Tax assets	1 January 2018 £'000	Recognised profit or loss £'000	31 December 2018 £'000
Unused tax losses	(220)	220	-
Deferred Tax assets	1 January 2017 £'000	Recognised profit or loss £'000	31 December 2017 £'000
Unused tax losses	(609)	389	(220)

Trading losses of £13,755k (2017 - £10,963k) were not recognised as a deferred tax asset due to continued losses.

8. Goodwill

	£'000
Carrying value	
At 1 January 2018	1,321
Impairment charge for the year	-
Carrying value	
At 31 December 2018	1,321
	£'000
Carrying value	
At 1 January 2017	1,321
Impairment charge for the year	-
Carrying value	
At 31 December 2017	1,321

Notes to the Financial Statements

For the Year Ended 31 December 2018

8. Goodwill (continued)

Impairment

The company reviews the carrying amounts of its tangible and intangible assets with finite lives to determine whether there is any indication that those assets have suffered an impairment loss on an annual basis. Goodwill arising on acquisition is allocated to cash-generating units. The recoverable amount of the cash-generating unit to which goodwill has been allocated is tested annually for impairment, or on such other occasions that events or changes in circumstances indicate that it might be impaired.

An impairment review was performed on 31st December 2018. The assumptions used in the model were terminal growth rate of 2.25% and a discount rate of 10% the model looked to estimate net present value of cash generating assets at that date. When applying sensitivities to the assumption, even reducing the terminal growth rate to 0% and increasing the discount rate to 15%, the model still showed that the asset had not suffered any impairment. As a result of this review the Directors are of the opinion that the assets had not suffered any impairment.

9. Intangible Assets

	Customer contracts & relations costs	Computer software	Totals
	£'000	£'000	£'000
Cost			
At 1 January 2018	4,058	724	4,782
Additions	-	-	-
Disposals	-	-	-
At 31 December 2018	<u>4,058</u>	<u>724</u>	<u>4,782</u>
Accumulated amortisation			
At 1 January 2018	(3,803)	(574)	(4,377)
Charge for the year	<u>(117)</u>	<u>(100)</u>	<u>(217)</u>
At 31 December 2018	<u>(3,920)</u>	<u>(674)</u>	<u>(4,594)</u>
Net Book Value			
Balance at 1 January 2018	<u>255</u>	<u>150</u>	<u>405</u>
Balance at 31 December 2018	<u>138</u>	<u>50</u>	<u>188</u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

9. Intangible Assets - continued

	Customer contracts & relations costs	Computer software	Totals
	£'000	£'000	£'000
Cost			
At 1 January 2017	4,058	724	4,782
Additions	-	-	-
Disposals	-	-	-
At 31 December 2017	<u>4,058</u>	<u>724</u>	<u>4,782</u>
Accumulated amortisation			
At 1 January 2017	(3,448)	(463)	(3,911)
Charge for the year	<u>(355)</u>	<u>(111)</u>	<u>(466)</u>
At 31 December 2017	<u>(3,803)</u>	<u>(574)</u>	<u>(4,377)</u>
Net Book Value			
Balance at 1 January 2017	<u>610</u>	<u>261</u>	<u>871</u>
Balance at 31 December 2017	<u>255</u>	<u>150</u>	<u>405</u>

The future value of customer contracts and relations represents the value that arose on the acquisition of the trade and assets of Getronics UK Ltd and Getronics Unified Communications (UK) Ltd. The assets are being amortised on a straight-line basis over 60 months. The directors do not believe that there has been a material change to the valuation or the amortisation assumptions. An impairment review was performed at 31st December 2018, the assumptions used in the model were terminal growth rate of 2.25% and a discount rate of 10% the model looked to estimate net present value of cash generating assets at that date. As a result of this review the Directors are of the opinion that the assets had not suffered any further impairment.

Notes to the Financial Statements

For the Year Ended 31 December 2018

10. Property, Plant and Equipment

	Freehold property £'000	Leasehold property £'000	Machinery & equipment £'000	Fixtures & fittings £'000	MIS Equipment £'000	Total £'000
Cost						
At 1 January 2018	2,894	767	3,589	108	10,575	17,933
Additions	74	-	32	-	257	363
At 31 December 2018	<u>2,968</u>	<u>767</u>	<u>3,621</u>	<u>108</u>	<u>10,832</u>	<u>18,296</u>
Accumulated depreciation						
At 1 January 2018	(1,788)	(762)	(3,026)	(81)	(7,470)	(13,127)
Charge for the year	(107)	(5)	(188)	(9)	(1,498)	(1,807)
At 31 December 2018	<u>(1,895)</u>	<u>(767)</u>	<u>(3,214)</u>	<u>(90)</u>	<u>(8,968)</u>	<u>(14,934)</u>
Net book value						
At 1 January 2018	<u>1,106</u>	<u>5</u>	<u>563</u>	<u>27</u>	<u>3,105</u>	<u>4,806</u>
At 31 December 2018	<u>1,073</u>	<u>-</u>	<u>407</u>	<u>18</u>	<u>1,864</u>	<u>3,362</u>

	Freehold property £'000	Leasehold property £'000	Machinery & equipment £'000	Fixtures & fittings £'000	MIS Equipment £'000	Total £'000
Cost						
At 1 January 2017	2,816	767	3,530	87	8,869	16,069
Additions	78	-	59	21	1,706	1,864
At 31 December 2017	<u>2,894</u>	<u>767</u>	<u>3,589</u>	<u>108</u>	<u>10,575</u>	<u>17,933</u>
Accumulated depreciation						
At 1 January 2017	(1,662)	(739)	(2,819)	(69)	(6,066)	(11,355)
Charge for the year	(126)	(23)	(207)	(12)	(1,404)	(1,772)
At 31 December 2017	<u>(1,788)</u>	<u>(762)</u>	<u>(3,026)</u>	<u>(81)</u>	<u>(7,470)</u>	<u>(13,127)</u>
Net book value						
At 1 January 2017	<u>1,154</u>	<u>28</u>	<u>711</u>	<u>18</u>	<u>2,803</u>	<u>4,714</u>
At 31 December 2017	<u>1,106</u>	<u>5</u>	<u>563</u>	<u>27</u>	<u>3,105</u>	<u>4,806</u>

The net book value of MIS Equipment includes £498k (2017: £876k) in respect of assets held under hire purchase contracts or finance leases.

Notes to the Financial Statements

For the Year Ended 31 December 2018

11. Inventories

	2018 £'000	2017 £'000
Finished goods	<u>150</u>	<u>528</u>

12. Trade and Other Receivables

	2018 £'000	2017 £'000
Trade receivables	9,302	9,808
Less: provision for impairment of trade receivables	<u>(697)</u>	<u>(119)</u>
	<u>8,605</u>	<u>9,689</u>
Trade receivables – net	8,605	9,689
Prepayments	1,569	2,810
Receivables from related parties (note 22)	34,511	5,209
Accrued revenue	4,046	4,928
Other debtors	<u>348</u>	<u>152</u>
Current portion	<u>49,079</u>	<u>22,788</u>

There were no non-current receivables at the 31 December 2018.

There were no fair value adjustments applied to any of the trade and other receivables at 31 December 2018, therefore the amounts are stated at nominal value.

Getronics do not buy or sell Currency or Interest rate hedging tools such as Forward Rates, Futures, Options, Swaps or any other hedging techniques or Financial Instruments.

Therefore, for Getronics, credit losses / Expected Credit Loss Framework introduced by IFRS-9 will only be applicable to:

1. Trade Receivables
2. Intercompany Loans, and
3. Intercompany Trade balances

As at 31 December 2018, trade receivables totalled £9,302k (2017: £9,808k). Following a review in line with IFRS 9 an expected credit loss allowance of £697k has been recognised. A provision of £119k was recognised in the financial statements for 2017. Following the implementation of IFRS 9, it was determined that an adjustment should be made to the opening balances of retained earnings and the provision as at 1 January 2018 to reflect a total provision of £313k at 1 January 2018.

Notes to the Financial Statements

For the Year Ended 31 December 2018

12. Trade and Other Receivables (continued)

The aging analysis of these trade receivables is as follows:

	2018	2017
	£'000	£'000
Trade Receivables which are not impaired and not yet due	7,208	8,336
Trade Receivables which are not impaired and less than three months overdue	1,110	1,205
Trade Receivables which are not impaired and more than three months overdue	287	148
Trade Receivables	8,605	9,689

The carrying amounts of the company's trade receivables are denominated in the following currencies:

	2018	2017
	£'000	£'000
GBP	9,104	9,572
EUR	148	205
USD	15	31
CHF	35	-
	9,302	9,808

The other classes within receivables do not contain impaired assets.

The intercompany loans usually have a one year term and are renewed automatically on expiry. Intercompany funding balances can be netted off at any time subject to the agreement of the balances between the relevant Group entities. The lenders within the Group are confident of the future performance of the borrowers. The lenders will continue to monitor closely and review repayment periods as and when required. On this basis, with the adoption of IFRS 9, there is no impairment required for other intercompany receivables balances.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The company does not hold any collateral as security.

13. Called up Share Capital

	2018	2017
	£'000	£'000
Authorised, allotted and fully paid		
6,523,331 (2017 – 6,523,331) ordinary shares of £1 each	6,523	6,523

Notes to the Financial Statements

For the Year Ended 31 December 2018

14. Trade and Other Payables

	2018 £'000	2017 £'000
Current:		
Trade creditors	6,751	6,973
Finance lease creditor	-	411
Amounts owed to group undertakings (including loans)	47,637	17,417
Social security and other taxes	1,884	1,578
Accruals	4,769	3,538
Deferred income	3,954	3,736
	<u>64,995</u>	<u>33,653</u>

The carrying amounts of the company's trade payables are denominated in the following currencies:

	2018 £'000	2017 £'000
GBP	5,616	5,745
EUR	285	115
USD	850	1110
AUD	-	4
	<u>6,751</u>	<u>6,974</u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

14. Trade and Other Payables (continued)

Amounts owed to group undertakings:

	Trade Payable £'000	Inter Company Accrual £'000	Loans £'000	2018 Total £'000
Current:				
Connectis CMC France (SAS)	-	213	-	213
Connectis CMC Italia	-	359	-	359
Connectis CMC UK Ltd	5,943	3,090	447	9,480
Connectis Global Services (Rosetta)	-	1,717	-	1,717
Connectis ICT Services SAU	970	801	-	1,771
Connectis Technology Brazil	1	-	-	1
Digitran Innovations	-	510	-	510
EMEA Távolági Szolgáltató Rt	79	27	-	106
Getronics Belgium SA	147	1,018	-	1,165
Getronics CMC Holding BV	2,364	275	-	2,639
Getronics Deutschland GmbH	-	133	-	133
Getronics Global Services BV	1,443	6,588	-	8,031
Getronics India	775	-	-	775
Getronics Solution (S) Pte Limited	164	-	-	164
Getronics Solutions Malaysia Sdn Bhd	38	-	-	38
Getronics Thailand Co. Ltd	13	-	-	13
GSC Malaysia	102	-	-	102
GTN Japan BV	-	102	-	102
GTN Services BV	1,185	16,566	1,585	19,336
Pomeroy IT Solutions Sales Company Inc.	-	103	-	103
Pomeroy IT Solutions UK Ltd	79	800	-	879
	<u>13,303</u>	<u>32,302</u>	<u>2,032</u>	<u>47,637</u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

14. Trade and Other Payables (continued)

Amounts owed to group undertakings:

Intercompany borrowings maturity periods and average annual interest rates charged at the 31 December 2018 are as follows:

		Annual interest rate	2018 £'000
1-5 years	GTN Services BV	6.5%	1,585
	Getronics CMC Holding BV	0.0%	447
			<u>2,032</u>

		Annual interest rate	2017 £'000
1-5 years	GTN Services BV	6.5%	1,572
	Getronics CMC Holding BV	0.0%	444
			<u>2,016</u>

15. Borrowings

	2018 £'000	2017 £'000
Current:		
Bank overdrafts	-	1,018
Loans from financial institutions - due within one year	-	378
	<u>-</u>	<u>1,396</u>
Non-current		
Loans from financial institutions - due after one year	-	33
	<u>-</u>	<u>33</u>
Total	<u>-</u>	<u>1,429</u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

15. Borrowings (continued)

Finance lease borrowings are repayable in the following periods and attract average annual interest rates as follows:

		2018 £'000
6 months or less	11%	-
6 – 12 months	10%	-
1 – 5 years	7%	-
		2017 £'000
6 months or less	11%	138
6 – 12 months	10%	240
1 – 5 years	7%	33

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

	2018 £'000	2017 £'000
Gross finance lease liabilities – minimum lease payments		
Later than 1 year and no later than 5 years	-	407
No later than 1 year	-	33
	-	440
Future finance charges on finance lease liabilities	-	(29)
Present value of finance lease liabilities	-	411
	2018 £'000	2017 £'000
No later than 1 year	-	378
Later than 1 year and no later than 5 years	-	33
Present value of finance lease liabilities	-	411

Notes to the Financial Statements

For the Year Ended 31 December 2018

16. Operating lease commitments

	Land & building £'000	Other operating leases £'000	Total £'000
2018			
Operating leases which expire			
within one year	144	252	396
within two – five years	34	331	365
	<u>178</u>	<u>583</u>	<u>761</u>
2017			
Operating leases which expire			
within one year	138	426	564
within two – five years	58	189	247
	<u>196</u>	<u>615</u>	<u>811</u>

The operating leases commitments primarily relate to leasehold property and the company's motor fleet.

17. Provisions

	Restructuring provisions ^a		RAC Provision ^b		Total	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
At 1 January	609	-	278	-	887	-
Charge for the year	128	609	-	278	128	887
Utilisation	(609)	-	(278)	-	(887)	-
At 31 December	<u>128</u>	<u>609</u>	<u>-</u>	<u>278</u>	<u>128</u>	<u>887</u>

^{a.} Restructuring provision relates to known employees exiting the business in early 2019 who were already informed by end of 2018. This was complete in Q1/2019

^{b.} RAC provision relates to net value of claim made against Getronics in 2017 due to delivery outages/issues caused by a third party subcontracted by Getronics in late 2016. Claim was fully settled in 2018.

Notes to the Financial Statements

For the Year Ended 31 December 2018

18. Ultimate parent company

With effect from 6 July 2017 the Getronics Group was sold by its parent company, AURELIUS Equity Opportunities SE & Co KGaA, to a new group Bottega InvestCo Sarl. As at 31 December 2017, the parent company was DigiTran Innovations B.V. N Baffour-Gyewu has 100% control over DigiTran Innovations B.V. which has ultimate control in Bottega InvestCo Sarl. DigiTran Innovations B.V. is a private limited company which is incorporated in the Netherlands. For the year ended 31 December 2017, the smallest and largest group to consolidate results was Bottega InvestCo Sarl.

On 11 July 2018 the Company's wholly owned parent consummated a recapitalisation which included the acquisition of Pomeroy Group Holdings Inc., a Delaware corporation, and its subsidiaries and the refinancing of the then existing Getronics credit facility. In order to affect the Transaction, the Company's wholly owned parent formed a new Dutch subsidiary, PomGen Holdings BV to own 100% of the DigiTran business subsequent to the refinancing.

For the year ended 31 December 2018, the results of the Company will be consolidated within the DigiTran Innovations B.V. Group. The Group accounts will be available from the registered office of DigiTran Innovations B.V. at Jachthavenweg 109 H, 1081KM Amsterdam, The Netherlands.

19. Contingent liabilities

The company is subject to legal proceeding and claims that arise in the ordinary course of its business. In the opinion of the directors, the amount of any ultimate liability in respect of these actions will not materially affect the financial position of the company.

20. Capital commitments

Capital commitments authorised at 31st December 2018 amounted to £nil (2017 - £nil).

21. Other financial commitments

Other financial commitments at 31st December 2018 amounted to £nil (2017 - £nil).

Notes to the Financial Statements

For the Year Ended 31 December 2018

22. Related Party Disclosures

Year ended 31 st December 2018	Sales of services £'000	Purchase of services £'000	Amounts owed by related parties £'000	Amounts owed to related parties £'000	Loans owed to related parties £'000
Connectis CMC Deutschland GmbH	74	-	453	-	-
Connectis CMC France (SAS)	69	-	79	213	-
Connectis CMC Italia	24	-	24	359	-
Connectis CMC Nederlands BV	4	-	24	-	-
Connectis CMC Spain	-	-	37	-	-
Connectis CMC UK Ltd	1,096	4,060	3,987	9,033	447
Connectis ICT SAU	54	702	79	1,771	-
Connectis Managed Cloud Espana SL	37	-	-	-	-
Connectis Technology Brazil	1	-	-	1	-
Digitran	-	-	-	510	-
EMEA Távolosági Szolgáltató Rt	80	-	-	106	-
Getronics (Schweiz) AG	5	-	5	-	-
Getronics Belgium SA	112	145	187	1,165	-
Getronics CMC Holding BV	358	1,471	1,310	2,639	-
Getronics Germany GmbH	97	-	784	133	-
Getronics Global Services BV (GGS)	8,867	661	13,105	8,031	-
Getronics Ireland Ltd	146	-	146	-	-
Getronics Japan	-	-	-	102	-
Getronics Solutions (Malaysia) Sdn	-	34	-	38	-
Getronics Solutions (S) Pte Ltd	5	1	180	164	-
Getronics Solutions India Pte Ltd	-	519	-	775	-
Getronics Solutions Malaysia Sdn Bhd	-	-	-	-	-
Getronics Technology Sdn Bhd	-	44	-	102	-
GTN Services BV	1,500	80	13,378	17,751	1,585
Getronics Thailand Co Ltd	-	-	-	13	-
Global Rosetta	-	-	733	1,717	-
Pomeroy IT Solutions UK	-	79	-	879	-
Pomeroy US	-	-	-	103	-
	<u>12,529</u>	<u>7,796</u>	<u>34,511</u>	<u>45,605</u>	<u>2,032</u>

Notes to the Financial Statements

For the Year Ended 31 December 2018

22. Related Party Disclosures (continued)

	Sales of services	Purchase of services	Amounts owed by related parties	Amounts owed to related parties	Loans owed to related parties
Year ended 31 st December 2017	£'000	£'000	£'000	£'000	£'000
Connectis ICT Services SAU	-	-	31	547	-
GTN Services BV	-	3,180	793	10,944	1,572
Getronics Global Services BV (GGS)	-	-	-	-	-
Getronics Belgium SA	99	5	(7)	2	-
Connectis CMC Deutschland GmbH	161	-	79	-	-
Connectis Managed Cloud Espana SL	5	532	4	-	-
Connectis CMC France (SAS)	41	-	10	-	-
Connectis CMC UK Ltd	172	4,454	471	1,790	-
Connectis CMC Italia	-	-	(1)	-	-
Getronics Solutions Malaysia Sdn Bhd	-	22	3	8	-
Getronics Global Services BV	7,468	2,324	3,252	777	-
Getronics CMC Holding BV	1,885	939	366	797	444
Getronics Solution (S) Pte Limited	171	46	208	159	-
Getronics India Pte Ltd	-	504	-	357	-
Getronics Thailand Co. Ltd	-	-	-	13	-
Getronics DEUTSCHLAND GmbH	-	-	-	(48)	-
GSC Malaysia	-	-	-	55	-
Connectis Brazil	-	42	-	-	-
Getronics Ireland Ltd	146	-	-	-	-
Health and Fashion Shoes	335	-	-	-	-
Working Links	462	-	-	-	-
Calachem	35	-	-	-	-
Allied Healthcare	-	-	-	-	-
Transform	79	-	-	-	-
Office Depot	340	-	-	-	-
	<u>11,399</u>	<u>12,048</u>	<u>5,209</u>	<u>15,401</u>	<u>2,016</u>

Goods are bought and sold based on the price lists in force that would be available to third parties. Receivables are unsecured in nature and bear no interest. No provisions are held against receivables from related parties. Related party payables bear no interest, subject to the loans due, that accrue interest as set out in note 14.

23. Events after the reporting period

Following the acquisition of Pomeroy in 2018, the Getronics Group has gone through a restructuring. On the back of management's forecast, first lien lenders decided to support the RoW and agreed to provide further funding of \$100 million (taking the total of first lien lender funding to \$650 million). First lien lenders continue to provide support to RoW as noted above.

Notes to the Financial Statements

For the Year Ended 31 December 2018

24. Reconciliation of loss after income tax to cash generated from operations

	2018 £'000	2017 £'000
Loss after income tax	(3,856)	(6,834)
Tax charge	220	142
Interest charge	178	555
Depreciation	1,807	1,772
Amortisation of intangible assets	216	466
Decrease/(increase) in inventories	379	(62)
Decrease/(increase) in trade and other receivables	2,817	(472)
(Decrease)/increase in trade and other payables	1,106	(1,302)
(Decrease)/increase in provisions	(759)	887
	<hr/>	<hr/>
Cash generated from/ (used in) operations	<u>2,108</u>	<u>(4,848)</u>

25. Cash and cash equivalents

The amounts disclosed on the statement of cash flow in respect of cash and cash equivalents are in respect of these statements of financial position amounts:

	2018 £'000	2017 £'000
Cash at bank	1,073	-
Bank overdraft	-	(1,018)
	<hr/>	<hr/>
Cash and cash equivalents	<u>1,073</u>	<u>(1,018)</u>