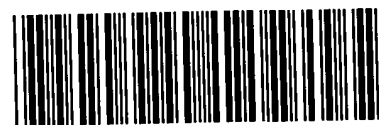


bChannels International-Channel Services Limited

Directors' report and consolidated financial statements (amended)
for the year ended 31 December 2015
Registered number 08949788

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Company registration number: 08949788

Registered office: Sandringham House
East Point Business Park
Oxford
OX4 6LB

Directors: V C Kendall
G Davies
M P Truby
P J Gowing
A J Stratton
G M Rowland-Jones

Company Secretary: M P Truby

Auditor: Mazars LLP
Tower Bridge House
St Katharine's Way
London
E1W 1DD

Strategic Report For the year ended 31 December 2015

The Directors present their strategic report for bChannels International-Channel Services Limited for the year ended 31 December 2015.

Business review

The company was incorporated on 20 March 2014 as a holding company to facilitate the private equity backed acquisition of Twelve Management Services Limited, itself a holding company whose subsidiaries are active in the provision of sales consultancy and marketing services primarily in the information technology sector. This transaction was completed on 4 July 2014. In these financial statements the comparative results cover the period to 31 December 2014 and comprise six months trading for Twelve Management Services Limited and its subsidiaries.

During the year the group generated consolidated revenue of £7,717,000 and a loss before interest, tax, depreciation and amortisation of £5,000. The Directors consider revenue, gross margin and EBITDA to be key performance indicators.

2015 is the first full year since the restructuring of the group in July 2014. During the year the group responded quickly to the challenge of financial performance falling below plan, by reducing fixed costs by and reorganising board responsibilities. In addition during the year the group opened a new office in Kuala Lumpur which is servicing local clients as well as providing lower cost support to EMEA and US operations.

Looking forward into 2016 the group is projecting robust growth across all of its regions and the Directors look forward to the future with confidence.

Principal risks and uncertainties

The management of the business and the nature of the group's strategy are subject to a number of risks. The Directors have set out below the principal risks facing the business.

Credit risk

The group's credit risk is primarily attributable to its trade receivables and cash and cash equivalents. The amounts presented in the balance sheet are net of any allowance for doubtful receivables, estimated by the Directors. The group mainly transacts with large, 'blue chip' companies, which reduces the risk of exposure to bad debt. Credit checks are performed on potential customers before new accounts are accepted. The amount of exposure of any individual client is subject to a limit, which is reassessed annually by management.

Liquidity risk

To ensure liquidity, the group maintains sufficient cash and cash equivalents to meet its obligations as and when they fall due.

Interest rate risk

The group is exposed to interest rate risk on its loan from WestBridge SME Fund LP, further details of which are in Note 15.

Foreign currency risk

The group is exposed to foreign currency exchange risks due to the group holding foreign currency bank accounts and is therefore exposed to exchange rate fluctuations. This risk is assessed on an on-going basis. The group does not use derivative financial instruments to manage currency exchange movements and, as such, no hedge accounting is applied.

This report was approved by the Board and signed on its behalf.

MP Truby
Director



Date:

27 Sept 16

Directors' Report

The Directors present their amended annual report with the consolidated financial statements of the group for the year ended 31 December 2015. The consolidated financial statements were amended to correct the equity balance disclosed on the Company Statement of Financial Position.

Principal activity, review of business and future developments

The company was incorporated on 20 March 2014. On 4 July 2014 the company acquired the entire share capital of Twelve Management Services Limited.

The principal activity of the company is that of a holding company. The principal activity of the company's subsidiary undertakings, bChannels Limited, bChannels Inc and bChannels Pty, are the provision of sales consultancy and marketing services primarily in the information technology sector.

On 15 August 2014 the company changed its name from Honey 12 Newco Limited to bChannels International-Channel Services Limited.

Matters covered in the Strategic Report

As permitted by paragraph 1A of Schedule 7. to the Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 certain matters which are required to be disclosed in the Directors' Report have been omitted as they are included in the Strategic Report on page 4. These matters relate to the review and analysis of the business, development and financial performance, future prospects and the principal risks and uncertainties.

Going concern

Having made appropriate enquiries, the Directors consider it reasonable to assume that the company has adequate resources to continue for the foreseeable future and, for this reason, have continued to adopt the going concern basis in preparing the financial statements.

Results and dividends

The trading results in the attached consolidated financial statements represent the results of the group for the year ended 31 December 2015.

No dividends have been paid or proposed during the year.

Given the size of the group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The group's finance department implements policies set by the Board of Directors. The department has guidelines agreed by the Directors to manage interest rate risk, credit risk and circumstances where it would be appropriate to use financial instruments to manage these.

Directors

The Directors who served the company during the period were:

V C Kendall
G Davies
M P Truby
P J Gowing
A J Stratton
G M Rowland-Jones
W J Nerenberg (resigned 31 October 2015)

Directors' liabilities

The company has granted indemnity against liability to its Directors during the period. Appropriate Directors' and officers' liability insurance cover is in place in respect of the company's Directors.

Political contributions

The group made no political contributions during the year.

Directors' Report (continued)

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort is made to retain them in order that their employment with the group may continue.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Directors' Report and the consolidated 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 IFRS as adopted by the European Union have been followed subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; 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.

Disclosure of information to the auditors


In so far as each of the Directors is aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditor

The auditor, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board


MP Truby
Director

Date: 27 Sep 16

Company Registration Number: 08949788

Chairman's Report

2015 was a year of challenge and change at bChannels. The growth strategy, based upon increased business development resources, primarily in the USA, was undermined by the failure of two senior appointments - one at board and one at senior management level - with the result that financial performance fell below plan. Sales for the year were £7.7m with a loss at EBIT level of £0.2m. By comparison in the six months of trading following the group restructure in July 2014, revenues were £3.8m and the EBIT loss including exceptional costs was £0.6m. Although disappointing, the executive team responded quickly to the challenge, reducing fixed costs and reorganised board responsibilities.

The bChannels Board remains firmly committed to its growth strategy. CompTIA, the not for profit trade body, predicts sector growth in 2016 and beyond, with changes forecast in the way global vendors, bChannels' clients, go to market. Change is generally positive for outsourcing organisations, creating new opportunities as well as supporting existing needs. To ensure these opportunities are realised and to continue our concentration on USA based prospects, Matt Rowland-Jones (CEO) has relocated to the US and will focus on client development, new business development and marketing. Phil Gowing (MD) will take additional responsibility for all service delivery and Mark Truby (FD) assumes additional responsibility for HR, in addition to his commercial and finance responsibilities.

To deliver a more holistic service to clients and to ensure that opportunities are quickly identified within the existing client base, strategic business units have been established under a team of senior managers (Client Service Directors), who have responsibility for development and delivery. The board believes that these changes create a stronger, more focused and accountable organisation and they are already bearing fruit with clients such as VMWare and Seagate.

Our people remain at the heart of the bChannels' offer to clients and so, to ensure we attract, retain and develop the best talent a leadership development programme has been established to ensure consistency across all regions. To serve clients in the Asia Pacific region, a new office was opened in Kuala Lumpur, which is servicing local clients as well as providing lower cost support to EMEA and US operations.

Our client list remains strong and new projects were gained from major clients in 2015, including Intel, Symantec and SAP. During the year we worked with over thirty clients, supporting their Channel Strategies in the UK, Europe, the USA and around the world.

Industry analysts predict growth in the market sector where bChannels is strong and the changes made to counter the challenges of 2015 are already taking effect. Relocating the CEO to California, where the majority of clients are headquartered, pragmatic cost reduction and a more focused, accountable organisation has created a stronger platform for growth and the bChannels board is confident that the financial performance in 2016 and beyond will reflect the good work undertaken in 2015.

Tony Stratton
Chairman

Independent auditor's report to the members of bChannels International-Channel Services Limited

We have audited the amended financial statements of bChannels International-Channel Services Limited for the year ended 31 December 2015 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and parent company Statements of Changes in Equity, the Consolidated and parent company Statements of Financial Position, the Consolidated and parent company Statement of Cash Flows and related notes. 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. These amended financial statements replace the original financial statements approved by the Directors on 27 September 2016, and are prepared as if they were approved at the date of the original accounts, and accordingly do not take account of any events that have arisen since that date.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the Directors are responsible for the preparation of the amended 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 amended 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. 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.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion:

- the amended financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2015 and of the group's loss for the year then ended;
- the consolidated financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

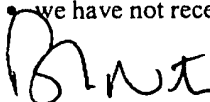
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the amended 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.


Robert Neate
Senior Statutory Auditor
for and on behalf of Mazars LLP, Chartered Accountants and Statutory Auditor
Tower Bridge House, St Katharine's Way, London E1W 1DD

Date: 29 September 2016

Consolidated Statement of Comprehensive Income
for the year to 31 December 2015

	Note	Year to 31 December 2015 £'000	Period from 20 March to 31 December 2014 £'000
Continuing operations:			
Revenue	2	7,717	3,818
Cost of sales		(3,936)	(1,978)
Gross profit		<u>3,781</u>	<u>1,840</u>
Administrative expenses		(3,786)	(1,740)
Depreciation of property, plant & equipment		(77)	(37)
Amortisation of intangible assets		(94)	(47)
Operating (loss) /profit before exceptional costs		<u>(176)</u>	<u>16</u>
Exceptional costs	3	-	(637)
Total expenses		<u>(3,957)</u>	<u>(2,461)</u>
Operating loss	3	<u>(176)</u>	<u>(621)</u>
Finance costs	6	(1,031)	(60)
Loss before tax		<u>(1,207)</u>	<u>(681)</u>
Taxation	8	18	(18)
Loss for the period		<u>(1,189)</u>	<u>(699)</u>
Other comprehensive income			
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(9)	9
Total comprehensive loss		<u>(1,198)</u>	<u>(690)</u>
Total loss for the period attributable to:			
Owners of the parent		<u>(1,198)</u>	<u>(690)</u>
Total comprehensive income for the period attributable to:			
Owners of the parent		<u>(1,198)</u>	<u>(690)</u>

The accompanying accounting policies and notes on pages 16 to 38 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2015

	Share capital £'000	Retained Earnings £'000	Foreign exchange reserve £'000	Total equity £'000
Balance at 20 March 2014				
Issue of new shares	80	-	-	80
Transactions with owners	80	-	-	80
Loss for the period	-	(699)	-	(699)
Other comprehensive income	-	-	9	9
Total comprehensive income for the period	-	(699)	9	(690)
Balance at 31 December 2014	<u>80</u>	<u>(699)</u>	<u>9</u>	<u>(610)</u>
Issue of new shares	9	-	-	9
Transactions with owners	9	-	-	9
Loss for the year	-	(1,189)	-	(1,189)
Other comprehensive income	-	-	(9)	(9)
Total comprehensive income for the period	-	(1,189)	(9)	(1,198)
Balance at 31 December 2015	<u>89</u>	<u>(1,888)</u>	<u>-</u>	<u>(1,799)</u>

The accompanying accounting policies and notes on pages 16 to 38 form an integral part of these financial statements.

Company Statement of Changes in Equity
for the year ended 31 December 2015

	Share capital £'000	Retained Earnings £'000	Total equity £'000
Issue of new shares	80	-	80
Transactions with owners	80	-	80
Loss for the period	-	(551)	(551)
Total comprehensive income for the period	-	(551)	(551)
Balance at 31 December 2014	80	(551)	(471)
Issue of new shares	9	-	9
Transactions with owners	9	-	9
Loss for the period	-	(825)	(825)
Total comprehensive income for the period	-	(825)	(825)
Balance at 31 December 2015	89	(1,376)	(1,287)

The accompanying accounting policies and notes on pages 16 to 38 form an integral part of these financial statements.

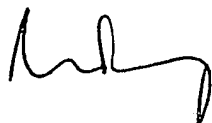
Consolidated Statement of Financial Position

as at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Goodwill	9	2,370	2,370
Intangible assets	9	1,003	1,097
Property, plant and equipment	10	89	119
		<u>3,462</u>	<u>3,586</u>
Current assets			
Trade and other receivables	13	1,127	1,182
Cash and cash equivalents	14	1,070	1,990
Total current assets		<u>2,197</u>	<u>3,172</u>
Total assets		<u>5,659</u>	<u>6,758</u>
Current liabilities			
Trade and other payables	15	2,287	2,376
Non-current liabilities			
Financial liabilities	15	4,969	4,772
Deferred tax	12	202	220
Total liabilities		<u>7,458</u>	<u>7,368</u>
Equity attributable to equity holders of the parent			
Share capital	16	89	80
Reserves		(1,888)	(690)
Reserves attributable to owners of the parent		<u>(1,799)</u>	<u>(610)</u>
Total equity		<u>(1,799)</u>	<u>(610)</u>
Total equity and liabilities		<u>5,659</u>	<u>6,758</u>

These financial statements were approved by the Board of Directors and authorised for issue on

27 Sep 16 and were signed on its behalf by:



MP Truby
 Director

The notes on pages 16 to 38 form part of these financial statements.

Company Statement of Financial Position
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Investments	11	1,979	1,979
		<hr/>	<hr/>
		1,979	1,979
Current assets			
Trade and other receivables	13	2,114	2,053
		<hr/>	<hr/>
Total assets		4,093	4,032
		<hr/>	<hr/>
Current liabilities			
Financial liabilities	15	617	8
Non-current liabilities			
Financial liabilities	15	4,763	4,495
		<hr/>	<hr/>
Total liabilities		5,380	4,503
		<hr/>	<hr/>
Equity attributable to equity holders of the parent			
Share capital	16	89	80
Retained earnings		(1,376)	(551)
		<hr/>	<hr/>
Total equity		(1,287)	(471)
		<hr/>	<hr/>
Total equity and liabilities		4,093	4,032
		<hr/>	<hr/>

These financial statements were approved by the Board of Directors and authorised for issue on

..... 27 Sep 16 and were signed on its behalf by:



MP Truby
 Director

The notes on pages 16 to 38 form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities			
Loss for the period before taxation		(1,207)	(681)
<i>Adjustments for:</i>			
Interest paid		151	60
Depreciation of property plant & equipment		77	37
Amortisation of intangible assets		94	47
		<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions		(885)	(537)
Decrease in trade and other receivables		55	1,404
Increase/ (decrease) in trade and other payables		147	(410)
		<hr/>	<hr/>
Cash (expended) /generated by operations		(683)	457
Income taxes paid		-	(117)
		<hr/>	<hr/>
Net cash (expended) / generated by operating activities		(683)	340
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of property, plant and equipment		(15)	(29)
Purchase of intangible assets		-	(1,979)
Net cash acquired	23	-	230
Interest paid		(151)	(40)
		<hr/>	<hr/>
Net cash (expended) from investing activities		(166)	(1,818)
		<hr/>	<hr/>
Cash flows from financing activities			
Proceeds from borrowings		-	4,483
Repayment of borrowings		-	(819)
Repayment of deferred consideration		(71)	(196)
		<hr/>	<hr/>
Net cash (expended) / generated by financing activities		(71)	3,468
		<hr/>	<hr/>
Net increase in cash and cash equivalents		(920)	1,990
Cash and cash equivalents at start of period		1,990	-
		<hr/>	<hr/>
Cash and cash equivalents at 31 December		1,070	1,990
		<hr/>	<hr/>

The accompanying accounting policies and notes on pages 16 to 38 form an integral part of these financial statements.

Company Statement of Cash Flows
for the year ended 31 December 2015

	2015 £'000	2014 £'000
Cash flows from operating activities		
Loss for the period	(825)	(551)
<i>Adjustments for:</i>		
Interest paid	151	60
	<hr/>	<hr/>
Cash flows from operating activities before changes in working capital and provisions	(674)	(491)
Increase in trade and other receivables	(51)	(25)
Increase in trade and other payables	876	-
	<hr/>	<hr/>
Cash generated by/(used in) operations	151	(516)
Income taxes paid	-	-
	<hr/>	<hr/>
Net cash generated by/ (used in) operating activities	151	(516)
	<hr/>	<hr/>
Cash flows from investing activities		
Interest paid	(151)	(40)
Acquisition of investments	-	(1,979)
	<hr/>	<hr/>
Net cash expended in investing activities	(151)	(2,019)
	<hr/>	<hr/>
Cash flows from financing activities		
Issue of share capital	-	80
Proceeds from borrowings	-	4,483
Repayment of deferred consideration	-	(2,028)
	<hr/>	<hr/>
Net cash generated by financing activities	-	2,535
	<hr/>	<hr/>
Net increase in cash and cash equivalents		
Cash and cash equivalents at start of period	-	-
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	-	-
	<hr/>	<hr/>

The company does not operate a bank account. All transactions are via intercompany accounts.

The accompanying accounting policies and notes on pages 16 to 38 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Nature of operations

The company is dedicated to providing sales consultancy and marketing services primarily in the information technology sector.

General information and statement of compliance with IFRS

The company is a limited liability company incorporated in England and domiciled in the United Kingdom. Its registered office is Sandringham House, East Point Business Park, Oxford OX4 6LB. The company's shares are privately held.

The consolidated financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRS) as adopted by the EU.

The financial statements are presented in pounds sterling, are prepared on the going concern basis and under the historical cost convention. The measurement bases and principal accounting policies of the group are set out below.

The Directors have reviewed the accounting policies and consider that they are appropriate for the group.

Going concern

At 31 December 2015, the group had net liabilities of £1,799,000 (2014: £610,000) and net current liabilities of £90,000 (2014: net current assets £796,000), including £1,070,000 (2014: £1,990,000) of cash of which £586,000 (£2014: £882,000) is restricted.

In order to assess the appropriateness of the going concern basis the Board have prepared detailed profit and cash flow forecasts through to 31 December 2016, and summary forecasts to December 2018, for the bChannels International-Channel Services Limited group of companies.

Management have used their best efforts to predict revenues and gross margin from the core business for the forecast period based on existing customer relationships and expectations for developing new relationships in existing markets.

The Board is satisfied that whilst there are risk factors associated with any set of forecasts, due care has been exercised in preparing them. There are indicators that future trading will be profitable and cash generative. The Board is confident that should further funding be required that the group would be able to source this and that therefore it is appropriate to prepare these accounts on a going concern basis.

Basis of consolidation

The group financial statements consolidate those of the company and its subsidiary undertakings drawn up to the balance sheet date. Subsidiaries are entities over which the group has the power to control the financial and operating policies so as to obtain benefits from their activities. The group obtains and exercises control through voting rights.

Unrealised gains on transactions between the group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the group.

Notes (continued)

1 Accounting policies (continued)

Acquisitions of subsidiaries are accounted for using the acquisition method. The acquisition method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the subsidiary, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. The acquisition cost is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the equity interests issued and excludes any transaction costs. The acquisition cost includes the fair value of any assets or liabilities arising from contingent consideration arrangement. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the group accounting policies. Goodwill is stated after separating out identifiable intangible assets. Goodwill represents the excess of acquisition cost over the fair value of the group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition.

Where the group's interest in a subsidiary changes, but does not result in a change in control, that change is treated as an equity transaction. Any difference between the carrying value of the non-controlling interest and the fair value of the consideration is recognised directly in equity.

Where the consideration involves a contingent element, consideration is given as to whether this meets the definition of equity or a financial liability.

Contingent consideration initially recognised as a financial liability in accordance with the group's policy is subsequently remeasured at fair value through profit or loss until settled. Contingent consideration initially recognised as equity is not subsequently remeasured.

As a consolidated Income Statement is published, a separate Income Statement for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Revenue

Revenue represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Revenue is recognised as services progress by reference to the stage of completion of the transaction at the balance sheet date.

Where the outcome of a transaction is unable to be estimated reliably no profit is recognised.

Foreign currency transactions

Transactions in foreign currencies are initially recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies at the balance sheet date are translated into sterling at foreign exchange rates ruling at that date. Foreign exchange differences arising from translation are recognised in the income statement. Non-monetary assets and liabilities measured at cost in a foreign currency are translated using exchange rates as at the date of the initial transactions.

Pensions

The group operates a staff stakeholder pension plan. Contributions are charged to the income statement in the period they are payable.

Notes (continued)

1 Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation is calculated to write down the cost less estimated residual value of all property, plant and equipment by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Fixtures, fittings and equipment:	2-5 years, straight line
Computer equipment:	3 years, straight line

Material residual value estimates are updated as required, but at least annually, whether or not the asset is re-valued.

Disposal of assets

The gain or loss arising on the disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. The gain or loss arising from the sale or revaluation of held for sale assets is included in "other income" or "other expense" in the income statement.

Leased assets

All non-finance leases are regarded as operating leases and the payments made under them are charged to the income statement on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

Internally-generated intangible assets

Research costs are expensed as incurred.

Development expenditure incurred on an piece of software is capitalised only if all the criteria set out in IAS38 'Intangible Assets' are met, namely:

- an asset is created that can be identified
- it is probable that the asset created will generate future economic benefits, and
- the development cost of the asset can be measured reliably

Following the initial recognition of development expenditure, the cost is amortised over the project's estimated useful life, at 33% of cost per annum.

Notes (continued)

1 Accounting policies (continued)

Amortisation of intangible assets

Amortisation is charged to overheads, within total administrative expenses, in the income statement on a straight line basis over the estimated useful lives of the intangible assets unless such lives are indefinite. Other intangible assets are amortised from the date they are available for use. The estimated useful lives are determined separately for each acquisition and fall within the following ranges:

Brand names	40 years
Customer relationships	10 years

Impairment of tangible and intangible assets

At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimate the recoverable amount of the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax payable is based on taxable profits for the period. Taxable profits differ from net profits as reported in the income statement because it excludes items that are taxable or deductible in other periods and items that are not taxable or deductible.

The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computations of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each statement of financial position 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 or the asset is realised.

Share schemes

The group operates an Employee Management Incentive plan. Share options awarded under the scheme have been valued by an independent firm of chartered accountants based on the Black Scholes methodology and approved by HM Revenue and Customs. The group recognises expenses in relation to the scheme through the income statement in accordance with IFRS 2 *Share Based Payment*.

Notes (continued)

1 Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised on the statement of financial position when the company has become a party to the contractual provisions of the instrument.

Trade and other receivables

Trade and other receivables are stated at their amortised cost as reduced by appropriate provisions for estimated irrecoverable amounts.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short term deposits and liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that creates a residual interest in the assets of the company.

Trade payables

Trade payables are stated at their amortised cost less any discount or rebate received.

Provisions

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

Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Profit and loss reserve" represents retained profits and losses.

All transactions with owners of the parent are recorded separately within equity.

Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the company's accounting policies

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 group makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are discussed below:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in normal course of business, net of discounts, VAT and other sales related taxes. Revenue is recognised as services progress by reference to the stage of completion of the transactions at the balance sheet date. This is therefore subject to a degree of judgement and estimation. Where the outcome of a transaction is unable to be estimated reliably, no profit is recognised.

Notes (continued)

1 Accounting policies (continued)

New significant standards and interpretations not yet adopted

Standards, interpretations and amendments to published standards that are not yet effective

The company has not applied the following IFRSs and IFRICs that are applicable to the company and that have been issued but are not yet effective.

Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

	Effective on or after
<ul style="list-style-type: none"> IFRS 11 (amendment) 'Joint Arrangements' Accounting for acquisitions of interests in joint operations 	1 January 2016
<ul style="list-style-type: none"> IAS 16 (amendment) 'Property, Plant and Equipment' and IAS 38 (amendment) 'Intangible Assets' Clarification of acceptable methods of depreciation and amortisation 	1 January 2016
<ul style="list-style-type: none"> IAS 27 (amendment) 'Separate Financial Statements' Equity Method in Separate Financial Statements 	1 January 2016
<ul style="list-style-type: none"> IAS 1 (amendment) 'Presentation of Financial Statements' Disclosure Initiative 	1 January 2016
<ul style="list-style-type: none"> IFRS 10 (amendment) 'Consolidated Financial Statements', IFRS 12 (amendment) 'Disclosure of Interest in Other Entities' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures' Investment entities: Applying the consolidation exception (Not yet endorsed by the EU.) 	1 January 2016
<ul style="list-style-type: none"> IFRS 15 'Revenue from Contracts with Customers' The standard replaces IAS 11 'Construction Contracts', IAS 18 'Revenue' and related interpretations on revenue recognition, presenting a five stage approach to the recognition of revenue. (Not yet endorsed by the EU.) 	1 January 2018
<ul style="list-style-type: none"> IFRS 9 'Financial instruments' The standard replaces IAS 39 'Financial Instruments: Recognition and Measurement', containing revised requirements in relation to classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting. (Not yet endorsed by the EU.) 	1 January 2018
<ul style="list-style-type: none"> IFRS 10 (amendment) 'Consolidated Financial Statements' and IAS 28 (amendment) 'Investments in Associates and Joint Ventures' Sale or contribution of assets between an investor and its associate or joint venture. (Not yet endorsed by the EU.) 	1 January 2019
<ul style="list-style-type: none"> IFRS 16 'Leases' The standard replaces IAS 17 'Leases' and related interpretations on leases, setting out the principles for recognition, measurement, presentation and disclosure of leases for both lessees and lessors. (Not yet endorsed by the EU.) 	1 January 2019

Notes (continued)

2 Revenue

The group's turnover represents the value, excluding value added tax, of services supplied to customers during the year.

The Directors consider that the group's activities represent a single class of business. The analysis of the group's turnover by market is as follows:

	Year to 31 December 2015 £'000	Period from 20 March to 31 December 2014 £'000
<i>Turnover</i>		
United Kingdom	1,147	565
Europe	1,454	1,004
Rest of the World	5,116	2,249
	<u>7,717</u>	<u>3,818</u>

3 Operating Loss

Operating loss is stated after charging:

	Year to 31 December 2015 £'000	Period from 20 March to 31 December 2014 £'000
Depreciation	77	37
Amortisation	94	47
Auditor's remuneration – audit of group and subsidiary financial statements	21	22
	<u></u>	<u></u>

Included in exceptional costs are the following:

	Year to 31 December 2015 £'000	Period from 20 March to 31 December 2014 £'000
Legal and financial expenses	-	637
	<u></u>	<u></u>

Legal and financial expenses relate to the costs of acquiring Twelve Marketing Services Limited.

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the group (including Directors) during the period, analysed by category, was as follows:

	Number of employees	Number of employees
	Year ended 31 December 2015	Period ended 31 December 2014
Management	47	38
Sales and administration	73	75
Total staff	<u>120</u>	<u>113</u>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Wages and salaries	4,497	1,980
Social security costs	509	184
Other pension costs	181	60
	<u>5,187</u>	<u>2,224</u>

Key management are considered to be the Directors of the group, whose remuneration is disclosed in Note 5. There are no additional personnel who the Directors consider key to disclose.

Notes (continued)

5 Directors' emoluments

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Remuneration	444	227
Contributions to defined contribution pension scheme	28	11
Benefits in kind	5	2
Other compensation	40	
	<u>517</u>	<u>240</u>

Of the amounts included above, those attributable to the highest paid Director are as follows

Remuneration	120	60
Contributions to defined contribution pension scheme	12	6
Benefits in kind	2	1
	<u>134</u>	<u>67</u>

Options over 10,000 shares were granted to a Director in 2014. These options vested at the start of 2015 but have not been exercised.

6 Finance charges

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Interest payable	1,031	60
Finance charges	<u>1,031</u>	<u>60</u>

Notes (continued)

7 Loss attributable to members of the parent company

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The loss of the company for the year amounted to £824,500 (2014: £551,000). The company did not have any amounts of other comprehensive income during the period ended 31 December 2015 (2014: £nil).

8 Taxation

Recognised in the income statement

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Current tax expense	-	27
Deferred tax (credit)	(18)	(9)
Total tax in income statement	<u>(18)</u>	<u>18</u>

Reconciliation of effective tax rate

	Year ended 31 December 2015 £'000	Period ended 31 December 2014 £'000
Loss on ordinary activities before taxation	<u>(1,207)</u>	<u>(681)</u>
Tax using the UK corporation tax rate of 20.25% (2014: 21.5%)	(244)	(146)
Loss relief		
Non- deductible expenses	229	144
Differences between UK and foreign tax rates	-	17
Corporation Tax losses carried forward	15	12
Deferred tax	(18)	(9)
Total current tax expense	<u>(18)</u>	<u>18</u>

A deferred tax asset of £27,244 (2014: £12,639) has not been recognised due to the uncertainty of the timing of future profits.

Notes (continued)

9 Intangible assets

	Customer base £'000	Brand name £'000	Goodwill £'000	Total £'000
Balance at 20 March 2014	-	-	-	-
Additions	870	274	2,370	3,514
Balance at 31 December 2014	870	274	2,370	3,514
Additions	-	-	-	-
Balance at 31 December 2015	870	274	2,370	3,514
Amortisation				
Balance at 20 March 2014	-	-	-	-
Charge for period	44	3	-	47
Balance at 31 December 2014	44	3	-	47
Charge for year	87	7	-	94
Balance at 31 December 2015	131	10	-	141
Net book value				
At 31 December 2015	739	264	2,370	3,373
Net book value				
At 31 December 2014	826	271	2,370	3,467

In accordance with group accounting policies the carrying value of goodwill was reviewed for impairment at the year end. The carrying value was assessed for impairment purposes by calculating the net present value (NPV) of future cash flows arising from the original acquired businesses.

Each business is allocated to a cash-generating unit on acquisition, depending on the nature of their business. The goodwill impairment review assessed whether the carrying value of goodwill was supported by the NPV of future cash flows based on management forecasts for five years from 2015 and discounted at a rate equal to the interest charged on the loan from WestBridge SME Fund LP.

Sensitivity analysis was performed using a higher weighted average cost of capital. An increase in the cost of the discount factor by 3% would not result in an impairment in the carrying value of goodwill.

Notes (continued)

10 Property, plant and equipment

Group

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Balance at 20 March 2014	-	-	-
Acquisition of subsidiary undertakings	71	56	127
Additions	9	20	29
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	80	76	156
Additions	29	18	47
Disposals	-	(14)	(14)
Balance at 31 December 2015	109	80	189
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 20 March 2014	-	-	-
Charge for period	20	17	37
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2014	20	17	37
Charge for period	34	43	77
Disposals	-	(14)	(14)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	54	46	100
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2015	55	34	89
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 2014	60	59	119
	<hr/>	<hr/>	<hr/>

The company has no property, plant & equipment.

Notes (continued)

11 Investments

Company

	Shares in group undertakings £'000
Cost and net book value	
At 20 March 2014	-
Additions	1,979
At 31 December 2014	1,979
Additions	-
At 31 December 2015	1,979

At 31 December 2015 the company held share capital in the following subsidiary, which is registered in England and Wales:

	Class of share capital	Proportion held by the parent company	Nature of business
Twelve Marketing Services Limited	Ordinary	100%	Holding company

Subsidiaries of Twelve Marketing Services Limited are;

	Country of incorporation	Proportion held by the group	Nature of business
bChannels Limited	England	100%	Consultancy
bChannels Inc	USA	100%	Consultancy
bChannels Pty	Australia	100%	Consultancy

Notes (continued)

12 Deferred tax liabilities

Recognised deferred tax liabilities

	Liabilities	Liabilities
	2015	2014
	£'000	£'000
Arising on recognition of intangible assets upon acquisition of Twelve Marketing Services Limited (see Note 23)	202	220
Net tax liabilities	202	220

Movement in deferred tax during the period

	Year to 31 December 2015 £'000	Period to 31 December 2014 £'000
Period ended 31 December		
Release of deferred tax liability in line with amortisation of intangible assets	18	9
	18	9

13 Trade and other receivables

	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade receivables	963	-	986	-
Other receivables	26	-	-	25
Prepayments and accrued income	96	-	97	-
Amounts due from group undertakings	-	2,114	-	2,028
Other taxes and social security	42	-	99	-
	1,127	2,114	1,182	2,053

Amounts due from group undertakings includes a loan asset with Twelve Management Services Limited of £899,000 (2014: £899,000), a loan asset with bChannels Limited of £1,032,869 (2014: £1,032,869), an intercompany trading asset with bChannels Limited of £137,229 (2014: £51,671), an intercompany trading asset with bChannels Inc of £1,117 (2014: £1,117), and an intercompany trading asset with Twelve Management Services Limited of £44,097 (2014: £44,097). Amounts due from group undertakings are unsecured, interest free and repayable on demand.

Analysis of receivables past due but not provided for

Included within the trade receivable balance for the company are amounts which are past due but have not been provided for within the allowance of doubtful debts.

	As at 31 December	Amounts not past due	between 1m and 3m	Amounts past due: between 4 and 6m	between 7m and 1 year	more than 1 year
	£'000	£'000	£'000	£'000	£'000	£'000
Trade receivables 2015	963	462	501	-	-	-
Trade receivables 2014	986	730	256	-	-	-

The Directors consider that the carrying value of trade and other receivables to be equivalent to their fair value. The company's maximum exposure to credit risk from the trade receivables is represented by their carrying amount. There are 5 (2014: 7) customers with balances due over 5% of the total debtor amounting to £462,000 (2014: £365,000). The average credit period taken on sales is 45 days (2014: 38 days). There is no provision for bad and doubtful debts due to the quality of the customer base. Amounts which are past due for payment but unpaid are not impaired, and the total value of these balances is considered immaterial.

Notes (continued)

14 Bank balances and cash

Bank balances and cash comprise cash and short term deposits with an original maturity of three months or less. The carrying value of these assets approximates to their fair value.

Included in bank and cash is an amount of £586k (2014: £882k), which is monies held on behalf of clients. This balance is off-set by an exact match of client bank accounts included within other creditors.

15 Trade and other payables

Amounts due within one year	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Trade payables	484	-	342	-
Accruals and deferred income	561	-	1,014	-
Deferred consideration	71	-	71	-
Other taxes and social security	7	3	60	-
Other creditors	605	55	889	-
Loan notes payable	445	445	-	-
Management loan notes payable	114	114	-	-
Amounts owed to group undertakings	-	-	-	8
	<u>2,287</u>	<u>617</u>	<u>2,376</u>	<u>8</u>
Amounts due after one year	Group 2015 £'000	Company 2015 £'000	Group 2014 £'000	Company 2014 £'000
Deferred consideration	206	-	277	-
Loan notes payable	3,902	3,902	3,560	3,560
Management loan notes payable	861	861	935	935
	<u>4,969</u>	<u>4,763</u>	<u>4,772</u>	<u>4,495</u>

The Directors consider that the carrying value of trade and other payables to be equivalent to their fair value.

Trade payables and accruals principally comprise amounts outstanding for trade payables and on-going costs.

Deferred consideration is payable to management over a period of 5 years from 2014.

Loan notes amounting to £3.56m (2014: £3.56m) are due to WestBridge SME Fund LP with a maximum drawdown of £4.5m. The loan is repayable in eight equal six-monthly instalments commencing 31 December 2016. WestBridge may allow bChannels to defer and reschedule such repayments. Interest was payable at 5% pa from July 2014 and 6% pa from July 2015, and increasing by 1% pa annually thereafter. The loan is secured with a fixed and floating charge over the assets of bChannels Limited. Accrued interest is included in the loan note balance.

The management loan notes are held by four individuals, including two of the company's Directors. The management loan notes offer no additional drawdown entitlements. The loan notes entitle holders to a redemption premium and will be redeemed in eight instalments between December 2016 and June 2020. The redemption premium payable has been expensed as interest, calculated at a constant interest rate on the outstanding balance. To the extent that such interest charges have not been paid they have been included in the outstanding balance of the management loan notes. The loan notes are unsecured.

Further related party disclosures are given in Note 22.

During the year financial liabilities of £8,000, comprising a bridging loan from WestBridge SME Fund LP, was converted into A Ordinary shares. This conversion was made in accordance with the terms of the original bridging loan.

Notes (continued)

16 Capital and reserves

Share capital

	2015 £	2014 £
Allotted, called up and fully paid		
450,000 (2014: 450,000) Ordinary Shares of £0.1 each	45,000	45,000
400,000 (2014: 316,060) Ordinary A Shares of £0.1 each	40,000	31,606
25,000 (2014: 450,000) Ordinary B Shares of £0.1 each	2,500	2,500
14,583 (2014: 11,250) Ordinary C Shares of £0.1 each	1,458	1,125
	88,958	80,231

On 20 March 2014, the company issued 1 Ordinary Share of £1.

On 4 July 2014, the company converted 1 Ordinary Share of £1 into 1,000 Ordinary Shares of £0.10 each. These 10 Ordinary Shares of £0.10 each were then converted into 10 A Ordinary Shares of £0.10 each.

On 4 July 2014, the company issued 310,000 Ordinary Shares of £0.10 each, 285,700 A Ordinary Shares of £0.10 each and 25,000 B Ordinary Shares.

On 29 July 2014, the company issued 140,000 Ordinary Shares of £0.10 each.

On 8 October 2014, the company issued 30,350 A Ordinary Shares of £0.10 each.

On 31 December 2014, the company issued 11,250 C Ordinary Shares of £0.10 each.

On 1 March 2015, the company issued 6,300 A Ordinary Shares of £0.10 each.

On 3 July 2015, the company issued 3,333 C Ordinary Shares of £0.10 each.

On 17 September 2015, the company issued 77,640 A Ordinary Shares of £0.10 each.

Ordinary Shares, A Ordinary Shares, B Ordinary Shares and C Ordinary Shares rank *pari passu* in all respects but constitute different classes of shares.

B Ordinary Shares shall not entitle the holders (in that capacity) to participate in any profits or assets of the company.

C Ordinary Shares shall not entitle the holders (in that capacity) to receive notice of or to attend or to vote at any general meeting of the company or to receive a copy of or to vote on any written resolution of the company and participate in any profits or assets of the company.

On an Exit, the proceeds available for distribution to the members shall be applied as follows:

The holders of A Ordinary Shares shall be entitled to receive 40% of such proceeds.

The holders of the Ordinary Shares, B Ordinary Shares and C Ordinary Shares shall together be entitled to receive 60% of such proceeds on a pro rata basis, provided that the maximum capital return on the B Ordinary Shares as a class shall be an amount equal to their subscription price.

Notes (continued)

17 Share schemes

During the period the group operated an Employee Management Incentive plan. The plan entitles certain employees of the group to a grant of share options over the shares of bChannels International - Channel Services Limited. The options vest at the start of the following year if the group achieves EBITDA targets at the end of the year. The employee may exercise vested shares at an exercise price of £0.10 per vested option. The group did not grant any options to employees during the year (2014: 111,000 options granted). Options previously granted were independently valued at £0.10 per option. Consequently there is no intrinsic value of the share options in issue and no IFRS 2 charge has been recorded. The EMI plan is equity settled and there is no cash-settlement alternative.

During the year 88,500 options vested (2014: 22,500) and 3,333 options were exercised (2014: 11,250).

Summary of EMI share option transactions in period

	Opening unvested	Opening vested	Granted	Vesting in period	Exercised	Closing unvested	Closing vested
Period to December 2014	-	-	111,000	22,500	11,250	88,500	11,250
Year to December 2015	88,500	11,250	-	88,500	3,333	-	96,417

18. Operating lease commitments

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

Group	Land and buildings 2015 £'000	Land and buildings 2014 £'000
Total rentals payable on leases:		
Within one year	128	146
Within two to five years	-	13
Over five years	-	-
	<u>128</u>	<u>159</u>

The company does not have any commitments.

Notes (continued)

19 Financial instruments

The group's operations expose it to a limited amount of credit and liquidity risk. There is little financial risk arising from the effects of changes in market prices of commodities based on its current client sectors and no interest rate risk as it has no significant borrowings.

The group does not use derivative financial instruments to manage interest rate costs and so no hedge accounting is applied. Given the size of the group, the Directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board.

The group's finance department implements the policies set by the Board of Directors. The department has guidelines agreed by the Directors to manage interest rate risk, credit risk and circumstances where it is appropriate to use financial instruments to manage these.

Price risk

The Directors do not consider there to be a price risk to the business. The group has no exposure to equity securities price risk as it holds no listed investments.

Credit risk

The group requires credit checks on potential customers before new accounts are accepted. The amount of exposure of any individual client is subject to a limit, which is reassessed annually by management.

Liquidity risk

To ensure liquidity, the group maintains sufficient cash and cash equivalents to meet its obligations as and when they fall due.

Interest rate risk

The group's exposure to interest rate arises in respect of its loan from WestBridge SME Fund LP, details of which are given in Note 15.

Foreign currency risk

The group is exposed to foreign currency exchange risks due to the group holding foreign currency bank accounts and is therefore exposed to exchange rate fluctuations. This risk is assessed on an on-going basis. The group does not use derivative financial instruments to manage currency exchange movements and, as such, no hedge accounting is applied.

Financial assets by category

The IAS 39 categories of financial asset included in the balance sheet and the headings in which they are included are as follows:

Group	2015			2014		
	Loans and receivables	Non-financial assets	Balance sheet total	Loans and receivables	Non-financial assets	Balance sheet total
Trade receivables	963	-	963	986	-	986
Other receivables	-	26	26	-	-	-
Prepayments and accrued income	-	96	96	-	97	97
Cash and cash equivalents	1,070	-	1,070	1,990	-	1,990
Payroll, taxes and social security	42	-	42	99	-	99
Total	2,075	122	2,197	3,075	97	3,172

Notes (continued)

19 Financial instruments (continued)

Company	Loans and receivables	2015 Non- financial assets	Balance sheet total	Loans and receivables	2014 Non- financial assets	Balance sheet total
	£'000	£'000	£'000	£'000	£'000	£'000
Investments	-	1,979	1,979	-	1,979	1,979
Other receivables	-	-	-	25	-	25
Amounts due from group undertakings	2,114	-	2,114	2,028	-	2,028
Total	2,114	1,979	4,093	2,053	1,979	4,032

Financial liabilities by category

The IAS 39 categories of financial liability included in the balance sheet and the headings in which they are included are as follows:

Group	Other financial liabilities at amortised cost	2015 Non- financial liabilities at fair value through profit & loss	2015 Total	Other financial liabilities at amortised cost	2014 Non- financial liabilities at fair value through profit & loss	2014 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	484	-	484	342	-	342
Accruals and deferred income	-	561	561	-	1,014	1,014
Other taxes and social security	7	-	7	60	-	60
Other creditors	605	-	605	889	-	889
Deferred consideration	277	-	277	348	-	348
Financial liabilities	5,322	-	5,322	4,495	-	4,495
Total	6,695	561	7,256	6,134	1,014	7,148

Company	Other financial liabilities at amortised cost	2015 Non- financial liabilities at fair value through profit & loss	2015 Total	Other financial liabilities at amortised cost	2014 Non- financial liabilities at fair value through profit & loss	2014 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Financial liabilities	5,380	-	5,380	4,503	-	4,503
Total	5,380	-	5,380	4,503	-	4,503

Notes (continued)

19 Financial instruments (continued)

Concentration of risk from balances denominated in foreign currencies

The group had the following amounts denominated by currency at 31 December 2015:

	GBP	Euro	US Dollar	AUD Dollar	Total
	£'000	£'000	£'000	£'000	£'000
Current and non current assets					
Trade and other receivables	415	21	657	34	1,127
Cash and cash equivalents	117	29	905	19	1,070
	532	50	1,562	53	2,197
Current and non-current liabilities					
Trade and other payables	7,048	-	204	4	7,256
	7,048	-	204	4	7,256

The group had the following amounts denominated by currency at 31 December 2014:

	GBP	Euro	US Dollar	AUD Dollar	Total
	£'000	£'000	£'000	£'000	£'000
Current and non-current assets					
Trade and other receivables	739	-	382	61	1,182
Cash and cash equivalents	1,476	-	509	5	1,990
	2,215	-	891	66	3,172
Current and non-current liabilities					
Financial liabilities	4,503	-	-	-	4,503
Trade and other payables	2,276	-	337	32	2,645
	6,779	-	337	32	7,148

All the parent company assets and liabilities are denominated in GBP.

Notes (continued)

19 Financial instruments (continued)

Capital management policies and procedures

The group's capital management objectives are to ensure the group's ability to continue as a going concern and to provide an adequate return to shareholders.

The group monitors capital on the basis of the carrying amount of equity plus borrowings, less cash and cash equivalents as presented on the balance sheet.

The group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Capital for the reporting period under review is summarised as follows:

Group	2015 £'000	2014 £'000
Total equity	1,012	610
Interest-bearing loans and borrowings	(5,376)	(4,503)
Cash and cash equivalents (excluding client funds)	484	1,108
Capital	<u>(3,880)</u>	<u>(2,785)</u>
Company	2015 £'000	2014 £'000
Total equity	500	471
Interest-bearing loans and borrowings	(5,376)	(4,503)
Capital	<u>(4,876)</u>	<u>(4,032)</u>

There is no interest rate risk as loans are repayable at fixed rates.

20 Capital commitments

There were no capital commitments at 31 December 2015 (2014: Nil).

21 Contingent liabilities

There were no contingent liabilities at 31 December 2015 (2014: Nil).

Notes (continued)

22 Related party transactions

Transactions between the company with other group companies and related parties are disclosed below:

	2015	2014
	£'000	£'000
Trading amounts due from bChannels Limited	137	-
Loan amounts due from bChannels Limited	1,033	1,033
Due to PJ Gowing: Loan	312	312
Accrued interest on loan	21	7
Deferred consideration	94	121
Due to GM Rowland-Jones: Loan	359	359
Accrued interest on loan	24	8
Deferred consideration	113	140
Due to WestBridge SME LP: Loan notes	3,560	3,560
Accrued interest on loan notes	841	-
Bridging loan	-	8
Management fee charged to bChannels Limited	288	144
Deferred consideration paid to PJ Gowing	27	13
Deferred consideration paid to GM Rowland Jones	27	13
Interest charged by WestBridge SME LP	203	-
Interest charged on PJ Gowing loan notes	14	7
Interest charged on GM Rowland Jones loan notes	16	8
Loan facility fee charged by WestBridge SME LP	-	160
Management fee charged by WestBridge SME LP	74	113
Interest charged by Newkeep LLP	-	64
Loan redemption fee charged by Newkeep LLP	-	32
Management fees charged by Three V Partnership LLP	-	52

Newkeep LLP and Three V Partnership LLP were related to the company by way of the shares originally held by RCapital Ltd before the restructuring in July 2014.

23 Acquisition

On 4 July 2014, the group acquired 100% of the issued share capital of Twelve Marketing Services Limited, a UK based business, thereby obtaining control.

The details of the business combination are as follows:

	Book value £'000	Fair value adjustments £'000	Fair value £'000
Intangible assets	-	1,146	1,146
Property, plant & equipment	127	-	127
Trade and other receivables	2,586	-	2,586
Bank balances and cash	230	-	230
Trade and other payables	(4,251)	-	(4,251)
Deferred tax liabilities	-	(229)	(229)
	<u>(1,308)</u>	<u>917</u>	<u>(391)</u>
Goodwill			2,370
Fair value			<u>1,979</u>
Satisfied by:			£'000
Cash			1,979
			<u>1,979</u>

Notes (continued)

23 Acquisition (continued)

Bank balances and cash acquired	230
Cash consideration	(1,979)
Net cash arising on acquisition	<u>(1,749)</u>

The main categories of intangible assets are as follows:

Customer base

This represents the value associated with the ongoing trading relationships with the key customers acquired.

Brand name

This represents the value associated with the various trading names used within the group.

Goodwill

This represents the value of the people and skills acquired as a result of the transaction. This balance is not amortised, but is tested annually for impairment.

The group has made profits in line with the forecasts at the time of the acquisition and therefore the Directors consider the intangible assets arising on consolidation are still valid and no impairment has occurred since acquisition. The long term performance of the group is expected to be in line with the expectations made at the time of acquisition. In accordance with the group's accounting policy, intangible assets will be tested annually for impairment.

Deferred tax

The identified intangible assets are not expected to be fully deductible for tax purposes as they arise only on consolidation. Hence a deferred tax liability arises on the recognition of these assets, calculated at the tax rates that are expected to apply in the period when the liability or the asset is realised.

24 Controlling party

At the year end, the immediate and ultimate parent undertaking was WestBridge SME Fund LP, a limited partnership registered in England & Wales.

Group financial statements are not prepared for the ultimate parent undertaking.