Company registration number: 10233878

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2017

ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED

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ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Mr M J Blake Mr P J Gibbons Mr C J Russell Mr R Shaw Mrs T D Tribe Mr J D Harber (appointed 14 August 2017) Mr R E Burke (appointed 14 August 2017)
Registered number	10233878
Registered office	The Wharf Abbey Mill Business Park Lower Eashing Godalming Surrey GU7 2QN
Independent auditors	Menzies LLP Chartered Accountants & Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT

ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED

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ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

Business review

The principal activity of the group during the year is as a reseller of business services to SME and Corporate Customers throughout the UK.

The results of the group show a pre-tax loss of £3.0 million (2016: loss of £1.1 million) for the year and sales of £28.2 million (2016: £8.9 million). The Group has net liabilities of £3.7 million (2016: net liabilities of £122k).

The comparative figures quoted for 2016 cover the period from 19 August 2016 being the date of the formation of the Group to 31 December of that year.

During the year, the Group has successfully started its buy and build strategy and has completed the first three of its foundation acquisitions.

In March 2017, Arrow acquired 100% of the equity of Pulse Business Holdings Limited, based in London. This is a fast growing and award winning Energy Broker with prestigious customers in the Corporate Sector. The integration of the business is complete and management are satisfied that the results are in line with our expectation. Subsequent to the year end, Pulse has been moved into a combined office with another of our two London acquisitions, supporting the cross sell opportunities of telecoms to the Pulse base and energy to our existing telecoms customers.

In July 2017, Arrow acquired 100% of Worksmart Technology Limited, based in London. Worksmart is a telecoms value added reseller with its own hosted telephony platform. It is particularly strong in the financial services and healthcare sectors and focuses on hosted and on premise telephone systems, as well as data connectivity. The acquisition doubled our number of hosted seats and has added depth to our technical and product offering. We have completed the integration phase and are rolling out new customer products on the Worksmart platform to our existing customer base.

In November 2017, Arrow acquired 100% of Siebert Industries Limited, based in Glasgow and Aberdeen. Siebert has a strong track record in providing hosted, fixed and mobile telephony solutions alongside data connectivity. The business is being managed alongside Orca Telecom that Arrow acquired in 2015, making us a key player in hosted telephony and telecoms services in Scotland.

The Directors take a prudent view on the amortisation of goodwill arising on acquisitions, and all goodwill arising on acquisitions of companies then hived-up into Arrow Business Communications Limited is written off on a straight line basis over five years. Goodwill arising on consolidation of subsidiaries acquired by the group, which form these accounts is amortised over ten years. As set out in note 2.6, there is a range of five to twenty years, but it is only the original formation of the Arrow business in 2007 where a twenty year life has been applied.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal control. Compliance with regulation, legal and ethical standards is a high priority for the group and the Finance Director and the finance team take an important oversight role in this regard.

The key business risks and uncertainties affecting the group are considered to relate to poor economic conditions, the associated risk of non-payment by customers and EU and Ofcom regulation changes. These are managed by strong credit control and vetting procedures, a robust commercial approval process for new contracts and re-signs and a portfolio approach to our product set, underpinned by the stability provided by long term customer contracts.

Financial key performance indicators

The Group's main key performance indicator is earnings before interest, tax, depreciation and amortisation (EBITDA). In 2017, the group achieved an EBITDA of £4.6m (2016: £1.4m).

The underlying performance of the Group was positive in 2017 and the improvement includes the full year of the original Arrow group, together with the impact of the acquisitions during the year.

Research and development

We continue to invest in our systems that provide billing and MIS for our customers. We are also keen to add any new technologies to our product offering once they become commercially viable. The directors regard the investment in research and development as integral to the continuing success of the business and ensuring we provide our customers with the highest possible level of service and product choice and solutions helping them in turn to improve their own operational and cost efficiencies.

Employee involvement

The Group's policy is to consult and discuss with employees matters likely to affect employee's interests.

We have made significant investment through our #Arrowvision programme to communicate to all staff on a regular basis, despite their wide geographical distribution. All employees are aware of the financial and economic factors affecting the Group's performance.

We are immensely proud that the results of our second employee survey exceeded the high standard we had set in the first, with an employee engagement score of 91% which was 14% higher than the benchmark score for other surveyed companies. The strength of our progress in this area was recognised at the 2017 Employee Engagement Awards, where we were named winner of the Employee Brand of the Year, one of three awards we won during the year.

All employees with one or more years' service are beneficiaries of an Employee Share Trust that will share the benefit of any increase in the value of the Group at any subsequent exit.

Financial instruments

The principal financial instruments of the group comprise of bank balances, trade debtors and trade creditors.

Working capital requirements are met principally out of trade debtors and trade creditors which arise directly from the group's normal operations. The group's banking facilities are utilised to fund acquisitions and will be repaid out of operating cash flow. The group's finance facilities are held in sterling and the group does not enter into any hedging arrangements.

Trade debtors are managed in respect of credit and there is a policy to minimise any risk by assessing new customer's credit risk and monitoring existing customer's creditworthiness. At the balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Trade creditors liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Cash flow is closely monitored as part of day to day control procedures and the directors review cash flow projections on a weekly basis and ensure appropriate facilities are available to be drawn upon as necessary.

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

Mr C J Russell
Director

Date: 15 JUNE 2018

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Directors

The directors who served during the year were:

Mr M J Blake
Mr P J Gibbons
Mr C Jagusz (appointed 3 January 2017, resigned 15 June 2017)
Mr C J Russell
Mr R Shaw
Mrs T D Tribe
Mr J D Harber (appointed 14 August 2017)
Mr R E Burke (appointed 14 August 2017)

Results and dividends

The loss for the year, after taxation, amounted to £3,541,053 *(2016 - loss £1,102,482).*

The directors do not recommend the payment of a dividend.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Future developments

We are confident that the combination of the existing Arrow skills and product set, together with the acquisitions made in 2017 provide a platform for continued growth in 2018 and beyond. We expect additional acquisitions in 2018, and to expand our sales especially in the hosted telephony, headsets, IT services and connectivity categories. Our telecoms heritage and renowned customer service give us confidence that we will continue to maintain our traditional telecoms revenues.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017

Matters covered in the strategic report

The Company has chosen in accordance with Section 414C(II) of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 to set out within the Company's Strategic Report, the information required by Schedule 7 of the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008. This include information that would have been included in the business review and details of the principal risks and uncertainties.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue operational existence for the foreseeable future. For this reason the directors continue to adopt the going concern basis of accounting in preparing the annual financial statements. This has been disclosed within the notes to the financial statements.

Post balance sheet events

In March 2018, Arrow acquired 100% of the equity of Reeves Lund and Company Limited, based in London. The team have already been fully integrated into our new London office.

Reeves Lund has a long track record in selling data connectivity products and services alongside systems maintenance. More recently, it has expanded its portfolio to include SIP trunks and hosted telephony products.

In June 2018, Arrow acquired 100% of the equity of 3Sixt Holdings Limited and its 100% owned subsidiaries, 360 Solutions (UK) Limited and 360 (II) Limited, based in Burton on Trent.

360 is an established telecoms and IT reseller with a significant focus on Mitel and Skype for Business. It has a strong presence in the legal sector and adds strong additional technical skill sets, good supplier synergies and further cross-sell opportunities for the Arrow Group.

Auditors

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

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

Mr C J Russell
Director

Date: 15 JUNE 2018

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED

Opinion

We have audited the financial statements of Arrow Business Communications Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2017, which comprise the Group Statement of comprehensive income, the Group and Company Statements of financial position, the Group Statement of cash flows, the Group and Company Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2017 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED (CONTINUED)

We have nothing to report in this regard.

Opinion 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 Group strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Group strategic report and the 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 Group and the parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group strategic report or the 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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 4, 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 Group's and the parent 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 Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED (CONTINUED)

Auditors' 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 Auditors' 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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' 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 Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Menzies LLP

Ralph Mitchison FCA (Senior statutory auditor)

for and on behalf of
Menzies LLP

Chartered Accountants
Statutory Auditor

Lynton House
7-12 Tavistock Square
London
WC1H 9LT
Date: 15/6/2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Turnover	4	**28,212,726**	*8,946,351*
Cost of sales		**(15,718,590)**	*(5,354,527)*
Gross profit		**12,494,136**	*3,591,824*
Administrative expenses		**(12,730,764)**	*(3,750,294)*
Operating loss	5	**(236,628)**	*(158,470)*
Interest receivable and similar income		**51**	*-*
Interest payable and expenses	9	**(2,764,619)**	*(909,512)*
Loss before tax		**(3,001,196)**	*(1,067,982)*
Tax on loss	10	**(539,857)**	*(34,500)*
Loss for the financial year		**(3,541,053)**	*(1,102,482)*
Profit for the year attributable to:			
Owners of the parent company		**(3,541,053)**	*(1,102,482)*
		(3,541,053)	*(1,102,482)*

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 16 to 37 form part of these financial statements.

ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED
REGISTERED NUMBER:10233878

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Intangible Assets	11		**39,037,454**		*32,005,767*
Tangible assets	12		**347,760**		*345,253*
			39,385,214		*32,351,020*
Current assets					
Stocks	14	**306,887**		*167,102*	
Debtors: amounts falling due within one year	15	**5,575,473**		*3,871,847*	
Cash at bank and in hand	16	**2,446,959**		*892,522*	
		8,329,319		*4,931,471*	
Creditors: amounts falling due within one year	17	**(12,912,450)**		*(5,351,185)*	
Net current liabilities			**(4,583,131)**		*(419,714)*
Total assets less current liabilities			**34,802,083**		*31,931,306*
Creditors: amounts falling due after more than one year	18		**(38,427,975)**		*(32,045,244)*
Provisions for liabilities					
Deferred tax	21	**(37,643)**		*(8,544)*	
			(37,643)		*(8,544)*
Net liabilities			**(3,663,535)**		*(122,482)*
Capital and reserves					
Called up share capital	22		**1,000**		*980*
Share premium account	23		**999,000**		*979,020*
Other reserves	23		**(20,000)**		*-*
Profit and loss account	23		**(4,643,535)**		*(1,102,482)*
			(3,663,535)		*(122,482)*

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

Mr C J Russell
Director

Date: 15 June 2018

The notes on pages 16 to 37 form part of these financial statements.

ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED
REGISTERED NUMBER: 10233878

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Investments	13		**1**		*1*
			1		*1*
Current assets					
Debtors: amounts falling due within one year	15	**1,029,999**		*979,999*	
		1,029,999		*979,999*	
Creditors: amounts falling due within one year	17	**(54,000)**		-	
Net current assets			**975,999**		*979,999*
Total assets less current liabilities			**976,000**		*980,000*
Net assets			**976,000**		*980,000*
Capital and reserves					
Called up share capital	22		**1,000**		*980*
Share premium account	23		**999,000**		*979,020*
Other reserves	23		**(20,000)**		-
Loss/(profit) for the year		**(4,000)**		-	
Profit and loss account carried forward			**(4,000)**		-
			976,000		*980,000*

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

Mr C J Russell
Director

Date: 15 JUNE 2018

The notes on pages 16 to 37 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
Loss for the period	-	-	-	(1,102,482)	(1,102,482)
Total comprehensive income for the period	-	-	-	(1,102,482)	(1,102,482)
Shares issued during the period	980	979,020	-	-	980,000
Total transactions with owners	980	979,020	-	-	980,000
At 1 January 2017	980	979,020	-	(1,102,482)	(122,482)
Loss for the year	-	-	-	(3,541,053)	(3,541,053)
Total comprehensive income for the year	-	-	-	(3,541,053)	(3,541,053)
Shares issued during the year	84	19,980	-	-	20,064
Shares cancelled during the year	(64)	-	-	-	(64)
Shares issued to Employee Benefit Trust	-	-	(20,000)	-	(20,000)
Total transactions with owners	20	19,980	(20,000)	-	-
At 31 December 2017	1,000	999,000	(20,000)	(4,643,535)	(3,663,535)

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called up share capital	Share premium account	Other reserves	Profit and loss account	Total equity
	£	£	£	£	£
Shares issued during the period	980	979,020	-	-	980,000
Total transactions with owners	980	979,020	-	-	980,000
At 1 January 2017	980	979,020	-	-	980,000
Loss for the year	-	-	-	(4,000)	(4,000)
Total comprehensive income for the year	-	-	-	(4,000)	(4,000)
Shares issued during the year	84	19,980	-	-	20,064
Shares cancelled during the year	(64)	-	-	-	(64)
Shares issued to Employee Benefit Trust	-	-	(20,000)	-	(20,000)
Total transactions with owners	20	19,980	(20,000)	-	-
At 31 December 2017	1,000	999,000	(20,000)	(4,000)	976,000

ARROW BUSINESS COMMUNICATIONS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Loss for the financial year	**(3,541,053)**	*(1,102,482)*
Adjustments for:		
Amortisation of intangible assets	**4,700,877**	*1,492,722*
Depreciation of tangible assets	**161,649**	*55,242*
Interest paid	**2,679,565**	*894,492*
Interest received	**(51)**	-
Taxation charge	**539,857**	*34,500*
(Increase)/decrease in stocks	**(119,105)**	*27,898*
(Increase)/decrease in debtors	**(87,960)**	*329,535*
(Decrease) in creditors	**(178,044)**	*(1,229,287)*
Increase in provisions	**235**	-
Corporation tax (paid)	**(487,221)**	*(47,067)*
Net cash generated from operating activities	**3,668,749**	*455,553*
Cash flows from investing activities		
Purchase of intangible fixed assets	**(38,649)**	-
Purchase of tangible fixed assets	**(66,087)**	*(40,662)*
Purchase of fixed asset investments	**(9,135,707)**	*(31,431,366)*
Interest received	**51**	-
Net cash from investing activities	**(9,240,392)**	*(31,472,028)*

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

	2017 £	2016 £
Cash flows from financing activities		
Issue of ordinary shares	-	980,000
New secured loans	11,500,000	-
Repayment of loans	(1,165,000)	(500,000)
Other new loans	4,100,000	32,045,244
Repayment of other loans	(5,970,142)	-
Interest paid	(1,374,192)	(894,492)
Net cash used in financing activities	7,090,666	31,630,752
Net increase in cash and cash equivalents	1,519,023	614,277
Cash and cash equivalents at beginning of year	614,277	-
Cash and cash equivalents at the end of year	2,133,300	614,277
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,446,959	892,522
Bank overdrafts	(313,659)	(278,245)
	2,133,300	614,277

1. General information

Arrow Business Communications Holdings Limited is a company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is given in the company information page. The principal trading address is the same. The principal activities of the company and the nature of its operations are set out in the strategic report on page 1.

The previous period is not a full year and therefore is not comparable. The reason for the shorter period in the prior period was due to its first period of trading. The prior period was from 15 June 2016, but the group was acquired on 19 August 2016 and therefore traded from this date.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Pound Sterling, which is the functional currency of the entity.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The losses for the year arise as a result of the amortisation of goodwill as set out in note 12, directly as a result of the accelerated acquisition programme. The group is cash generative on an operating basis and the detailed forecasts prepared by the directors confirm that it is expected to remain so over the forthcoming years. The directors have confirmed that the loan note interest accruing will not be payable until the group has sufficient resources to do so.

At the end of the year, the group had unused bank facilities and together with ongoing discussions with our bank to fund future acquisitions, the directors are confident that we can meet our obligations as they fall due. Therefore the financial statements have been prepared on a going concern basis.

2. Accounting policies (continued)

2.4 Disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2. Accounting policies (continued)

2.6 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Goodwill	-	5 to 20 years

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	- over the lease term
Fixtures and fittings	- 50% straight line
Computer equipment	- 20 - 50% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated statement of comprehensive income.

2. Accounting policies (continued)

2.8 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between

2. Accounting policies (continued)

2.12 Financial instruments (continued)

an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Finance costs

Finance costs are charged to the Consolidated statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.16 Operating leases: the Group as lessee

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.17 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Group in independently administered funds.

2. Accounting policies (continued)

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated statement of comprehensive income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated statement of comprehensive income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The key estimates and assumptions used in these consolidated accounts are set out below.

Revenue recognition

Revenue and the associated costs on long term contracts is recognised as it is earned over the life of customer contracts. Amounts billed at intervals other than monthly, are allocated evenly over the life of the relevant contract. At the year-end an assessment is made of the stage of completion of any system installs in progress, and the corresponding revenue is recognised in the year.

Impairment

Goodwill is tested annually for impairment in accordance with the accounting policy set out for goodwill. Management have established that the key determinant of future value is retention of customers and are satisfied that the underlying assumptions regarding customer retention used in the setting of the useful life of goodwill are not unreasonable.

4. Turnover

An analysis of turnover by class of business is as follows:

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Fixed Sales	**4,937,452**	*2,380,214*
Systems Sales	**4,860,004**	*1,394,000*
IT & Data Related Sales	**5,356,811**	*304,914*
Mobile Sales including Network Revenue	**11,736,014**	*4,867,223*
Energy sales	**1,322,445**	*-*
	28,212,726	*8,946,351*

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Depreciation of tangible fixed assets	**161,649**	*55,242*
Amortisation of intangible assets, including goodwill	**4,700,877**	*1,492,722*
Other operating lease rentals	**536,785**	*352,906*
Defined contribution pension cost	**334,857**	*112,262*

6. Auditors' remuneration

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	**41,500**	*27,970*

7. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2017 £	*Group 2016 £*
Wages and salaries	**5,403,100**	*1,666,588*
Social security costs	**555,454**	*164,807*
Cost of defined contribution scheme	**334,857**	*112,262*
	6,293,411	*1,943,657*

The average monthly number of employees, including the directors, for the group during the year was as follows:

	31 December 2017 No.	*Trading period from 19 August 2016 to 31 December 2016 No.*
Employees	**154**	*135*

The Company has no employees other than the directors, who did not receive any remuneration *(2016 - £NIL)*

8. Directors' remuneration

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Directors' emoluments	**362,878**	*66,882*
Company contributions to defined contribution pension schemes	**96,008**	*48,587*
	458,886	*115,469*

During the year retirement benefits were accruing to 5 directors *(2016 - 3)* in respect of defined contribution pension schemes.

The highest paid director received remuneration of £79,535 *(2016 - £64,132)*.

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,457 *(2016 - £74,410)*.

9. Interest payable and similar charges

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Bank interest payable	**282,745**	*12,045*
Other loan interest payable	**2,396,820**	*882,448*
Refinancing costs	**85,054**	*15,019*
	2,764,619	*909,512*

10. Taxation

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Corporation tax		
Current tax on profits for the year	**649,223**	*79,503*
Adjustments in respect of previous periods	**(309)**	*731*
	648,914	*80,234*
Total current tax	**648,914**	*80,234*
Deferred tax		
Origination and reversal of timing differences	**(109,057)**	*(45,734)*
Total deferred tax	**(109,057)**	*(45,734)*
Taxation on profit on ordinary activities	**539,857**	*34,500*

10. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than *(2016 - higher than)* the standard rate of corporation tax in the UK of 19.25% *(2016 - 20%)*. The differences are explained below:

	31 December 2017 £	*Trading period from 19 August 2016 to 31 December 2016 £*
Loss on ordinary activities before tax	**(3,001,196)**	*(1,067,981)*
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	**(577,730)**	*(213,596)*
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**625,118**	*220,388*
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	**264,233**	*39,336*
Capital allowances for year/period in excess of depreciation	**242,964**	*95,081*
Adjustments to tax charge in respect of prior periods	**(309)**	*(731)*
Short term timing difference leading to an increase (decrease) in taxation	**1,007**	*(18,711)*
Other timing differences leading to an increase (decrease) in taxation	**13,126**	*(27,023)*
Changes in provisions leading to an increase (decrease) in the tax charge	**(488)**	*2,591*
Unrelieved tax losses carried forward	**-**	*22,282*
Research & Development tax claims	**(45,492)**	*-*
Other differences leading to an increase (decrease) in the tax charge	**17,428**	*(85,117)*
Total tax charge for the year/period	**539,857**	*34,500*

11. Intangible assets

Group and Company

	Hosted platforms £	Goodwill £	Total £
Cost			
At 1 January 2017	-	33,498,489	33,498,489
Additions	-	11,406,138	11,406,138
Additions - internal	38,649	-	38,649
On acquisition of subsidiaries	287,777	-	287,777
At 31 December 2017	326,426	44,904,627	45,231,053
Amortisation			
At 1 January 2017	-	1,492,722	1,492,722
Charge for the year	86,718	4,614,159	4,700,877
At 31 December 2017	86,718	6,106,881	6,193,599
Net book value			
At 31 December 2017	239,708	38,797,746	39,037,454
At 31 December 2016	-	*32,005,767*	*32,005,767*

12. Tangible fixed assets

Group

	Short-term leasehold property £	Plant and machinery £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost or valuation						
At 1 January 2017	-	-	319,934	-	80,561	400,495
Additions	11,516	-	15,249	-	39,322	66,087
Acquisition of subsidiary	-	382	40,823	8,272	48,592	98,069
At 31 December 2017	11,516	382	376,006	8,272	168,475	564,651
Depreciation						
At 1 January 2017	-	-	39,832	-	15,410	55,242
Charge for the year on owned assets	11,516	16	89,260	207	60,650	161,649
At 31 December 2017	11,516	16	129,092	207	76,060	216,891
Net book value						
At 31 December 2017	-	366	246,914	8,065	92,415	347,760
At 31 December 2016	*-*	*-*	*280,102*	*-*	*65,151*	*345,253*

13. Fixed asset investments

Direct subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Registered office
Arrow Business Communications Group Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN

Indirect Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Registered office
Arrow Business Communications Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN
Orca Telecoms Limited	Ordinary	100 %	Westpoint House Prospect Road, Arnhall Business Park, Westhill, Aberdeenshire, Scotland, AB32 6FJ
Comms Solve Technologies Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN
Worksmart Technology Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN
Siebert Industries Limited	Ordinary	100 %	Blackfaulds House, Drumhead, Place, Cambuslang Investment, Park, Glasgow, G32 8EY
Siebert Telecoms Limted	Ordinary	100 %	Blackfaulds House, Drumhead, Place, Cambuslang Investment, Park, Glasgow, G32 8EY
Pulse Business Holdings Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN
Pulse Business Energy Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN
Pulse Business Water Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN
Arrow Business Communications Trustee Limited	Ordinary	100 %	The Wharf, Abbey Mill Business Park, Lower Eashing, Godalming, Surrey, England, GU7 2QN

13. Fixed asset investments (continued)

New acquisitions:

Pulse Business Holdings Limited

On 1 March 2017 Arrow Business Communications Limited acquired 100% of the ordinary share capital of Pulse Business Holdings Limited and its subsidiaries Pulse Business Energy Limited and Pulse Business Water Limited for a price of £3,700,000 (of which £1,200,000 was deferred) plus a balance sheet payment and fees of £399,259. The fair value of net assets acquired were:

Fixed assets	£13,640
Current assets	£752,989
Current liabilities	(£349,037)
Total net assets acquired	£417,592

Goodwill of £3,681,667 is being amortised over 10 years. Included within the consolidated statement of comprehensive income is revenues of £1,171,649 and profit of £296,834 relating to post acquisition.

Worksmart Technology Limited

On 1 July 2017 Arrow Business Communications Limited acquired 100% of the ordinary share capital of Worksmart Technology Limited for a price of £5,600,000 plus a balance sheet payment and fees of £750,080. There was no deferred consideration. The fair value of net assets acquired were:

Fixed assets	£330,871
Current assets	£2,056,346
Current liabilities	(£1,236,815)
Total net assets acquired	£1,150,402

Goodwill of £5,199,678 is being amortised over 10 years. Included within the consolidated statement of comprehensive income is revenues of £2,033,641 and profit of £297,245 relating to post acquisition

Siebert Industries Limited

On 1 November 2017 Arrow Business Communications Limited acquired 100% of the ordinary share capital of Siebert Industries Limited and its subsidiary Siebert Telecoms Limited for a price of £2,500,000 plus a balance sheet payment and fees of £1,566,256. £580,118 of the balance sheet payment was outstanding at the year end. The fair value of net assets acquired were:

Fixed assets	£57,246
Current assets	£2,290,608
Current liabilities	(£806,391)
Total net assets acquired	£1,541,463

Goodwill of £2,524,793 is being amortised over 10 years. Included within the consolidated statement of comprehensive income is revenues of £227,512 and profit of £88,639 relating to post acquisition

13. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 January 2017	**1**
At 31 December 2017	**1**
Net book value	
At 31 December 2017	**1**
At 31 December 2016	*1*

14. Stocks

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Finished goods and goods for resale	**306,887**	*167,102*	**-**	*-*
	306,887	*167,102*	**-**	*-*

The difference between purchase price or production cost of stocks and their replacement cost is not material.

15. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	1,919,201	1,009,825	-	-
Amounts owed by group undertakings	-	-	979,999	979,999
Other debtors	180,751	565,540	50,000	-
Prepayments and accrued income	3,332,091	2,274,199	-	-
Deferred taxation	143,430	22,283	-	-
	5,575,473	3,871,847	1,029,999	979,999

16. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	2,446,959	892,522	-	-
Less: bank overdrafts	(313,659)	(278,245)	-	-
	2,133,300	614,277	-	-

17. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	313,659	278,245	-	-
Bank loans	4,162,500	750,000	-	-
Trade creditors	2,017,301	1,487,268	-	-
Amounts owed to group undertakings	-	-	54,000	-
Corporation tax	557,140	145,333	-	-
Other taxation and social security	1,005,853	869,578	-	-
Other creditors	2,507,716	103,437	-	-
Accruals and deferred income	2,348,281	1,717,324	-	-
	12,912,450	5,351,185	54,000	-

Secured loans and overdrafts

The bank overdrafts and loans above are secured by way of fixed & floating charges and negative pledges against the assets of the company as well as shares in its subsidiaries.

18. Creditors: Amounts falling due after more than one year

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Bank loans	6,947,500	-	-	-
Other loans	31,480,475	*32,045,244*	-	-
	38,427,975	*32,045,244*	-	-

Secured loans

The bank loans above are secured by way of fixed & floating charges and negative pledges against the assets of the company as well as shares in its subsidiaries.

The above loans are secured against all of the assets of the group.

19. Loans

	Group 2017 £	*Group 2016 £*	Company 2017 £	*Company 2016 £*
Amounts falling due within one year				
Bank loans	4,162,500	*750,000*	-	-
	4,162,500	*750,000*	-	-
Amounts falling due 1-5 years				
Bank loans	6,947,500	-	-	-
Other loans	7,000,000	*5,000,000*	-	-
	13,947,500	*5,000,000*	-	-
Amounts falling due after more than 5 years				
Other loans	24,480,475	*27,045,244*	-	-
	24,480,475	*27,045,244*	-	-
	42,590,475	*32,795,244*	-	-

20. Financial instruments

	Group 2017 £	*Group 2016 £*
Financial assets		
Financial assets that are debt instruments measured at amortised cost	**2,952,142**	*2,740,397*
	2,952,142	*2,740,397*
Financial liabilities		
Financial liabilities measured at amortised cost	**(48,250,250)**	*(35,405,688)*
	(48,250,250)	*(35,405,688)*

Financial assets that are debt instruments measured at amortised cost comprise of trade and other debtors, excluding prepayments.

Financial liabilities measured at amortised cost comprise of loans, trade and other creditors excluding tax and deferred income.

21. Deferred taxation

Group

	2017 £
At beginning of year	**13,739**
Charged to profit or loss	**107,642**
Arising on business combinations	**(15,594)**
At end of year	**105,787**

21. Deferred taxation (continued)

The deferred tax asset is made up as follows:

			Group 2017 £	*Group 2016 £*
Accelerated capital allowances			**(37,643)**	*(8,544)*
Tax losses carried forward			**143,430**	*22,283*
			105,787	*13,739*
Comprising:				
Asset - due within one year	**143,430**	*22,283*	-	-
Liability	**(37,643)**	*(8,544)*	-	-
	105,787	*13,739*	-	-

22. Share capital

	2017 £	*2016 £*
Allotted, called up and fully paid		
500,000 A Ordinary shares of £0.001 each	**500**	*500*
310,000 *(2016 - 320,000)* B Ordinary shares of £0.001 each	**310**	*320*
163,100 *(2016 - 109,100)* C Ordinary shares of £0.001 each	**163**	*109*
20,000 D Ordinary shares of £0.001 each	**20**	-
6,900 *(2016 - 50,900)* E Ordinary shares of £0.001 each	**7**	*51*
	1,000	*980*

22. Share capital (continued)

Changes to share capital in the year to 31 December 2017:

On 26 May 2017 20,000 D Ordinary shares were issued at a nominal value of £0.01 to be held in trust by the Arrow Business Communications Employee Benefit Trust for the purpose of being allocated to employees in future. The shares were issued at £1 per share.

On 14 August 2017 50,000 E shares were cancelled. On the same day 50,000 C Ordinary shares were issued at £1 per share.

On 17 October 2017 10,000 B Ordinary shares were cancelled. On the same day 10,000 E Ordinary shares we issued at £1 per share.

On 30 October 2017 4,000 E Ordinary shares were cancelled. On the same day 4,000 C Ordinary shares were issued at £1 per share.

All share classes have full rights with respect to voting, dividends and distributions.

Share class rights:

All classes of share have full rights in the company with respect to voting, dividends and distributions.

23. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Other reserves

The other reserve is in relation to shares held by the group's employee benefit trust. Transfer from the other reserve will occur when the shares are allocated to staff.

Profit and loss account

This reserve records retained earnings and accumulated losses.

24. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £334,857 (2016 - £112,262). Contributions totalling £31,993 (2016 - £28,060) were payable to the fund at the reporting date and are included in creditors.

25. Commitments under operating leases

At 31 December 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	*Group 2016 £*
Not later than 1 year	**465,722**	*319,807*
Later than 1 year and not later than 5 years	**1,149,761**	*967,609*
Later than 5 years	**471,936**	*673,106*
	2,087,419	*1,960,522*

26. Related party transactions

Amounts owed in respect of loan notes to shareholders amounted to £31,480,475 at the year end (2016: £32,045,244). £2,396,524 of interest was charged to the profit and loss on the loans in the year (2016: 882,448).

During the period the group was also charged management charges of £62,822 (2016: £17,390) by shareholders.

27. Post balance sheet events

In March 2018, Arrow Business Communications Limited acquired 100% of the equity of Reeves Lund and Company Limited.

In June 2018, Arrow Business Communications Limited acquired 100% of the equity of 3Sixt Holdings Limited and its 100% owned subsidiaries, 360 Solutions (UK) Limited and 306 (II) Limited.

28. Controlling party

There is not considered to be one ultimate controlling party.