Registered number: 06919730

3ML HOLDINGS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017

3ML HOLDINGS LIMITED

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COMPANY INFORMATION

Directors	L M Ayris M A Barber M Faraday M J Jackson P R Weston
Company secretary	M Faraday
Registered number	06919730
Registered office	41 Alston Drive Bradwell Abbey Milton Keynes Buckinghamshire MK13 9HA
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Moorgate House 201 Silbury Boulevard Milton Keynes Buckinghamshire MK9 1LZ
Bankers	Royal Bank of Scotland Plc 175-177 Kensington High Street London W8 6SH

GROUP STRATEGIC REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Business review

The Group continues to provide services grouped into five areas of capability;

- Structured Cabling & Wireless
- Data Centre Infrastructure
- Converged Solutions
- Offsite Build & Test
- Site Services

Our customer base provides exposure to several lucrative market sectors that offer attractive prospects for growth, these include; Government and Defence, Cloud, Media, Major Enterprise, Banking, Retail and Service Provider. The Group's turnover increased by approximately 14% over the previous year reflecting the contribution from an expanding customer base and we expect further growth as new customer contracts start to present additional opportunities.

We continue with a strategy to target, grow and retain customers where we can provide specialised and differentiated services that support higher gross margins and who individually can sustain revenues of typically less than 10% of our turnover thus avoiding the risks of revenue concentration.

In order to service our growing customer base, we continue to invest heavily in people, accreditations and systems to ensure that we can safely deliver increased revenues and maximise margin opportunities.

During the period a healthy profit after tax was achieved through the effective control of operating costs prior to the amortisation of non-cash goodwill with the benefits of recent investments (people, accreditations and systems) yet to be fully realised. We remain very positive in our outlook although competition remains strong as does the pressure from customers to reduce their costs, there is also some continued market uncertainty around the affects of Brexit.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Principal risks and uncertainties

The principal business risks and uncertainties affecting the Group can be summarised as:

- Control of gross margins and the effective management of service and project costs.
- Strong competitive pressure and commoditisation of some products and services.
- The continuing weak economy manifests in reduced customer spend and deferred investment.
- Contract renewal cycles give opportunity to customers to seek better value for money and to reduce their cost base by encouraging increased competition amongst suppliers.
- Changeable customer demand and investment cycles.
- Increased exposure to foreign currency fluctuations precipitated by Brexit, with exposure to both cost price and selling price transactions in USD and the Euro.

Mitigation of these risks and uncertainties is achieved by;

- Continuing to focus on winning new customers in buoyant market sectors that are capable of generating significant recurring revenue.
- Where possible negotiate extended contracts for services; typically, Master Services Agreements, Sole Supplier Contracts and Government Frameworks.
- Striving to deliver service excellence to our customers so building highly retentive relationships.
- Investment in new systems, accreditations, people and training, streamlining our business process wherever possible.
- Expanding the services supplied into our existing customer base.
- Tight control and management of fixed and variable cost bases.
- Continued diversification into new higher margin services and solutions.
- Currency facilities to minimise any fluctuation risk.

Financial key performance indicators

The key measures used by the Group's management team to assess business performance are; debtor days, order intake, revenue levels, individual project profit margins, working capital levels and EBITDA.

Risks to the Group are carefully managed and minimised by the directors, ensuring that the Group can continue to develop in a sustainable manner.

Future developments

The outlook for the performance of the Group remains positive and the directors remain focussed on tightly controlling costs, reducing bank debt levels and building a sustainable business that offers specialised and differentiated services to a growing and diverse customer base.

This report was approved by the board on 15/05/2018 and signed on its behalf.

L M Ayris
Director

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 SEPTEMBER 2017

The directors present their report and the financial statements for the year ended 30 September 2017.

Principal activity

The principal activity of the Group during the year was the installation and maintenance of data & voice cabling infrastructures, Data Centre Infastructure Management (DCIM), Managed and Support Services.

Directors

The directors who served during the year were:

L M Ayris
M A Barber
M Faraday
M J Jackson
P R Weston

Results and dividends

The profit for the year, after taxation, amounted to £57,127 (2016 - £131,056).

Dividends of £340,236 (2016 - £330,174) were paid during the year.

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

Future developments have been included within the Strategic Report.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 SEPTEMBER 2017

Post balance sheet events

There have been no significant events affecting the Group since the year end.

Disclosure of information to auditor

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 auditor is 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 auditor is aware of that information.

Auditor

The auditor, MHA MacIntyre Hudson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 15/05/2018 and signed on its behalf.

L M Ayris
Director

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF 3ML HOLDINGS LIMITED

Opinion

We have audited the financial statements of 3ML Holdings Limited (the 'parent Company') and its subsidiaries (the 'Group') for the year ended 30 September 2017, which comprise the Group Statement of income and retained earnings, the Group and Company Balance sheets, the Group Statement of cash flows 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).

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.

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 30 September 2017 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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 Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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 AUDITOR'S REPORT TO THE SHAREHOLDERS OF 3ML 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 Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Martin Herron BA ACA (Senior Statutory Auditor)

for and on behalf of
MHA MacIntyre Hudson

Chartered Accountants
Statutory Auditors

Moorgate House
201 Silbury Boulevard
Milton Keynes
Buckinghamshire
MK9 1LZ
Date: 15 MAY 2018

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 SEPTEMBER 2017

	Note	2017 £	2016 £
Turnover	4	**11,989,514**	10,542,269
Cost of sales		**(9,695,489)**	(8,402,326)
Gross profit		**2,294,025**	2,139,943
Administrative expenses		**(1,779,723)**	(1,718,932)
Exceptional administrative expenses	11	**(190,050)**	-
Operating profit		**324,252**	421,011
Interest receivable		**149**	632
Interest payable and similar charges	8	**(204,935)**	(213,123)
Profit before tax		**119,466**	208,520
Tax on profit	9	**(62,339)**	(77,464)
Profit after tax		**57,127**	131,056
Retained earnings at the beginning of the year		**(1,297,683)**	(1,098,565)
Profit for the year		**57,127**	131,056
Dividends declared and paid		**(340,236)**	(330,174)
Retained earnings at the end of the year		**(1,580,792)**	(1,297,683)

There were no recognised gains and losses for 2017 or 2016 other than those included in the Consolidated statement of income and retained earnings.

The notes on pages 13 to 29 form part of these financial statements.

3ML HOLDINGS LIMITED
REGISTERED NUMBER:06919730

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Intangible assets	13		**880,953**		1,186,068
Tangible assets	14		**209,121**		219,086
			1,090,074		1,405,154
Current assets					
Stocks	16	**64,143**		125,318	
Debtors: amounts falling due within one year	17	**2,686,260**		2,059,980	
Cash at bank and in hand	18	**232,070**		859,219	
		2,982,473		3,044,517	
Creditors: amounts falling due within one year	19	**(2,385,024)**		(2,480,049)	
Net current assets			**597,449**		564,468
Total assets less current liabilities			**1,687,523**		1,969,622
Creditors: amounts falling due after more than one year	20		**(2,852,753)**		(2,852,753)
Provisions for liabilities					
Deferred taxation	23	**(25,562)**		(24,552)	
			(25,562)		(24,552)
Net liabilities			**(1,190,792)**		(907,683)
Capital and reserves					
Called up share capital	24		**39,000**		39,000
Share premium account	25		**351,000**		351,000
Profit and loss account	25		**(1,580,792)**		(1,297,683)
			(1,190,792)		(907,683)

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
15 MAY 2018.

L M Ayris
Director

The notes on pages 13 to 29 form part of these financial statements.

3ML HOLDINGS LIMITED
REGISTERED NUMBER:06919730

COMPANY BALANCE SHEET
AS AT 30 SEPTEMBER 2017

	Note		2017 £		2016 £
Fixed assets					
Investments	15		**7,570,220**		7,570,220
Creditors: amounts falling due within one year	19	**(8,350)**		(8,351)	
Net current liabilities			**(8,350)**		(8,351)
Total assets less current liabilities			**7,561,870**		7,561,869
Creditors: amounts falling due after more than one year	20		**(7,164,599)**		(7,193,624)
Net assets			**397,271**		368,245
Capital and reserves					
Called up share capital	24		**39,000**		39,000
Share premium account	25		**351,000**		351,000
Profit and loss account	25		**7,271**		(21,755)
			397,271		368,245

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
15 MAY 2018.

L M Ayris
Director

The notes on pages 13 to 29 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 SEPTEMBER 2017

	2017 £	2016 £
Cash flows from operating activities		
Profit for the financial year	**57,127**	131,056
Adjustments for:		
Amortisation of intangible assets	**305,115**	305,115
Depreciation of tangible assets	**65,111**	67,731
Profit on disposal of tangible assets	**(1,500)**	-
Interest paid	**204,935**	213,123
Interest received	**(149)**	(632)
Taxation charge	**62,339**	77,464
Decrease in stocks	**61,175**	13,077
(Increase)/decrease in debtors	**(628,181)**	493,621
Decrease in creditors	**(95,025)**	(318,932)
Corporation tax paid	**(59,428)**	(148,626)
Non cash element of exceptional item	**130,035**	-
Net cash generated from operating activities	**101,554**	832,997
Cash flows from investing activities		
Purchase of tangible fixed assets	**(185,181)**	(217,253)
Sale of tangible fixed assets	**1,500**	-
Interest received	**149**	632
Net cash from investing activities	**(183,532)**	(216,621)
Cash flows from financing activities		
Repayment of other loans	**-**	(60,000)
Dividends paid	**(340,236)**	(330,174)
Interest paid	**(204,935)**	(213,123)
Net cash used in financing activities	**(545,171)**	(603,297)
Net (decrease)/increase in cash and cash equivalents	**(627,149)**	13,079
Cash and cash equivalents at beginning of year	**859,219**	846,140
Cash and cash equivalents at the end of year	**232,070**	859,219
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	**232,070**	859,219
	232,070	859,219

1. General information

3ML Holdings Limited is a limited company incorporated by shares in England and Wales. The address of its registered office is the same as its principal place of business and can be found on the company information page.

The financial statements are presented in sterling, which is also the functional currency of the Group. The financial statements are prepared with a £1 rounding level applied.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention 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 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 following principal accounting policies have been applied:

2.2 Basis of consolidation

The financial statements consolidate the accounts of 3ML Holdings Limited and all of its subsidiary undertakings ('subsidiaries'). These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over its estimated economic life. The results of companies acquired or disposed of are included in the Consolidated statement of income and retained earnings after or up to the date that control passes respectively. As a Consolidated statement of income and retained earnings is published, a separate Statement of income and retained earnings for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

2.3 Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review on page 2.

As highlighted in note 19, the Group meets its day to day working capital requirements through an invoice discounting facility, which does not have a renewal date.

The Group's forecasts and projections, taking into account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility and will not require additional funding from its shareholders.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

2. Accounting policies (continued)

2.4 Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and materials supplied and the value of the long-term contract work completed. Turnover on long-term contracts is recognised according to the stage reached in the contract and is only recognised when formally agreed with the customer. Turnover on goods and materials is recognised on dispatch.

2.5 Intangible assets

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 income and retained earnings over its useful economic life of 10 years.

2.6 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.

Depreciation is provided on the following basis:

Leasehold improvements	- over the life of the lease
Plant and machinery	- 3 years
Fixtures and fittings	- 5 years

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. At each balance sheet 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.

Long-term contract work in progress is valued at cost less provision for anticipated losses, and is stated after deducting the progress payments received. Foreseeable losses are provided for in full as soon as they are identified. Profits are not recognised until the outcome of the contract can be assessed with reasonable certainty.

2. Accounting policies (continued)

2.9 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.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.11 Financial instruments

The Group only enters into basic financial instruments 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.

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.12 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.

2.13 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each year end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated statement of income and retained earnings.

2. Accounting policies (continued)

2.14 Finance costs

Finance costs are charged to the Consolidated statement of income and retained earnings 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.

2.16 Operating leases

Rentals paid under operating leases are charged to the Consolidated statement of income and retained earnings 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 income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

2.18 Interest income

Interest income is recognised in the Consolidated statement of income and retained earnings using the effective interest method.

2. Accounting policies (continued)

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 income and retained earnings in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

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 income and retained earnings, 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 balance sheet 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 Balance sheet 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 balance sheet date.

2.21 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

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

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily separated from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

There are no key judgements. The key estimates are depreciation and profit recognition on long term contracts.

4. Turnover

The whole of the turnover is attributable to the one principal activity of the Group.

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	**11,123,666**	10,346,830
Rest of Europe	**865,848**	195,439
	11,989,514	10,542,269

5. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	**23,805**	23,720

6. Employees

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

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Wages and salaries	**2,606,579**	2,430,474	**-**	-
Social security costs	**294,485**	271,404	**-**	-
Cost of defined contribution scheme	**103,799**	94,231	**-**	-
	3,004,863	2,796,109	**-**	-

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

	2017 No.	2016 No.
Production staff	**46**	46
Administrative staff	**21**	20
Management staff	**3**	3
	70	69

The key management personnel are deemed to be the directors of the Company.

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	**70,218**	62,919

8. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	**8**	-
Other loan interest payable	**204,927**	213,123
	204,935	213,123

9. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	**61,329**	48,536
Adjustments in respect of previous periods	**-**	7,175
Total current tax	**61,329**	55,711
Deferred tax		
Origination and reversal of timing differences	**1,010**	21,753
Taxation on profit on ordinary activities	**62,339**	77,464

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.5% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	**119,466**	208,520
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.5% (2016 - 20%)	**23,296**	41,704
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	**59,498**	61,023
Expenses not deductible for tax purposes	**33,333**	6,563
Capital allowances for year in excess of depreciation	**(25,877)**	(22,917)
Utilisation of tax losses	**(29,113)**	(36,274)
Adjustments to tax charge in respect of prior periods	**-**	7,175
Other timing differences leading to an increase (decrease) in taxation	**192**	(1,563)
Movement in deferred tax	**1,010**	21,753
Total tax charge for the year	**62,339**	77,464

Factors that may affect future tax charges

The Group has an unprovided deferred tax asset of £101,528 (2016 - £128,402) in respect of total losses carried forward of £564,044 (2016 - £713,342).

10. Dividends

	2017	2016
	£	£
Dividends paid on equity capital	**340,236**	330,174

11. Exceptional items

	2017	2016
	£	£
Software costs	**190,050**	-

During the year, a software development project became no longer viable. Therefore, costs incurred during the year of £60,015 and costs that had previously been recognised as capital expenditure of £130,035 had to be written off to the Statement of income and retained earnings. The Company is in the process of reclaiming these costs from the software provider.

12. Parent company profit for the year.

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 income and retained earnings in these financial statements. The profit after tax of the parent Company for the year was £369,259 (2016 - profit after tax £283,802).

13. Intangible assets

Group

	Goodwill £
Cost	
At 1 October 2016	**3,558,910**
At 30 September 2017	**3,558,910**
Amortisation	
At 1 October 2016	**2,372,842**
Charge for the year	**305,115**
At 30 September 2017	**2,677,957**
Net book value	
At 30 September 2017	**880,953**
At 30 September 2016	1,186,068

14. Tangible fixed assets

Group

	Leasehold improvements £	Plant and machinery £	Fixtures and fittings £	Total £
Cost				
At 1 October 2016	123,679	399,740	352,673	876,092
Additions	-	23,785	161,396	185,181
Disposals	(693)	(195,713)	(76,628)	(273,034)
At 30 September 2017	122,986	227,812	437,441	788,239
Depreciation				
At 1 October 2016	106,034	230,426	320,546	657,006
Charge for the year on owned assets	4,418	18,683	42,010	65,111
Disposals	(693)	(65,678)	(76,628)	(142,999)
At 30 September 2017	109,759	183,431	285,928	579,118
Net book value				
At 30 September 2017	13,227	44,381	151,513	209,121
At 30 September 2016	17,645	169,314	32,127	219,086

15. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Principal activity
I2S Group Limited	Ordinary Shares	100 %	Holding company
ITM Communications Limited	Ordinary Shares	100 %	IT Infrastructure & Services
Massa Solutions Limited	Ordinary Shares	100 %	Dormant

The aggregate of the share capital and reserves as at 30 September 2017 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves £	Profit/(loss) £
I2S Group Limited	521,535	1,029,298
ITM Communications Limited	4,909,671	853,685
Massa Solution Limited	1	-
	5,431,207	1,882,983

Company

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2016	7,570,220
At 30 September 2017	7,570,220
Net book value	
At 30 September 2017	7,570,220
At 30 September 2016	7,570,220

16. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Work in progress	**10,562**	64,177	-	-
Finished goods and goods for resale	**53,581**	61,141	-	-
	64,143	125,318	-	-

Stock recognised in cost of sales during the year as an expense was £3,584,911 (2016 - £3,091,118).

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	**1,634,739**	1,341,712	-	-
Other debtors	**592,667**	196,930	-	-
Prepayments and accrued income	**458,854**	521,338	-	-
	2,686,260	2,059,980	-	-

18. Cash and cash equivalents

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash at bank and in hand	**232,070**	859,219	-	-

19. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade creditors	1,374,575	1,367,310	-	-
Other taxation and social security	417,234	352,268	-	-
Other creditors	112,045	111,639	-	-
Accruals and deferred income	481,170	648,832	8,350	8,351
	2,385,024	2,480,049	8,350	8,351

The Group has an invoice discounting facility with the Royal Bank of Scotland Plc. The terms of the agreement are such that the Group may receive proceeds of up to 80% of the financed receivables at any time, with the remainder available for drawn down once payment is made by the customer. Failure to pay by a customer results in amounts previously drawn down against the balance becoming repayable by the Group. Administration fees are charged based on the value of transactions and interest is charged based on the time and amount drawn down.

At 30 September 2017 the balance available to draw down was in excess of the Group's receivables, this amounted to £490,804 (2016 - £160,213) which is included in other debtors. Royal Bank of Scotland Plc has a first charge over the trade debtors of the Group, in addition to fixed and floating charges over the other assets of the Group.

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other loans	2,852,753	2,852,753	2,852,753	2,852,753
Amounts owed to group undertakings	-	-	4,311,846	4,340,871
	2,852,753	2,852,753	7,164,599	7,193,624

During 2010 the company issued "A" loan notes totalling £1,034,976, as part of the acquisition of subsidiary undertakings which are repayable in 2019. Interest is paid at 6% per annum on these notes.

During 2012 the company issued "C" loan notes totalling £1,828,387,as part of the acquisition of shares in subsidiary undertaking, which are repayable in 2026. Interest is paid at 6% per annum and accrues at an additional 2% per annum on these loan notes.

21. Loans

Loans repayable, included within creditors, are analysed as follows:

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Amounts falling due 2-5 years				
Other loans	**1,159,293**	1,159,293	**1,159,293**	1,159,293
Amounts falling due after more than 5 years				
Other loans	**1,693,460**	1,693,460	**1,693,460**	1,693,460
	2,852,753	2,852,753	**2,852,753**	2,852,753

22. Financial instruments

All financial instruments are held at amortised cost.

23. Deferred taxation

Group

	2017 £	2016 £
At beginning of year	**24,552**	2,799
Charged to profit or loss	**1,010**	21,753
At end of year	**25,562**	24,552

At end of year

The provision for deferred taxation is made up as follows:

	Group 2017 £	Group 2016 £	**Company 2017 £**	Company 2016 £
Accelerated capital allowances	**25,734**	26,273	**-**	-
Other timing difference	**(172)**	(1,721)	**-**	-
	25,562	24,552	**-**	-

24. Share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
390,000 Ordinary shares of £0.10 each	**39,000**	39,000

25. Reserves

Share premium account

Share premium is the excess paid above the nominal value on issue of shares.

Profit and loss account

The profit and loss account contains all previous accumulated profit and losses to date.

26. Capital commitments

At 30 September 2017 the Group had capital commitments contracted for but not provided for in the financial statements of £nil (2016 - £35,200).

27. Pension commitments

The company operates a stakeholder scheme for the employees. During the year amounts paid to the pension scheme amounted to £103,799 (2016 - £94,231). At the balance sheet date outstanding contributions amounted to £20,610 (2016 - £18,027).

28. Commitments under operating leases

At 30 September 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	**25,726**	48,546
Later than 1 year and not later than 5 years	**6,642**	69,600
	32,368	118,146

29. Related party transactions

During the year, services provided and costs incurred on behalf of the Group and recharged by Kelso Place Asset Management LLP and its subsidiary undertakings, a group with common directors, amounted to £12,000 (2016 - £12,000). At the year end £3,600 (2016 - £3,000) was owed to Kelso Place Asset Management LLP.

During the year M Faraday, a director, invoiced the Group £12,079 (2016 - £12,079) for services provided. The balance due to M Faraday at the year end was £2,000 (2016 - £2,000).

During the year dividends of £340,236 (2016 - £330,174) were paid to the directors in their capacity as shareholders.

30. Controlling party

In the opinion of the directors the Group has no ultimate controlling party.