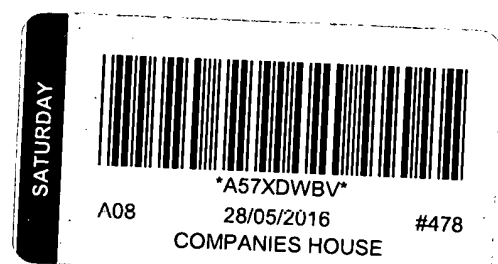


BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2016



BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

COMPANY INFORMATION

Directors	Brian Meredith Roy Burke Sadie Nesbitt Andrew Rounding
Company secretary	Andrew Rounding
Registered number	02146732
Registered office	Franklin Court Priory Business Park Bedford MK44 3JZ
Independent auditor	MHA MacIntyre Hudson Chartered Accountants & Statutory Auditors Equipoise House Grove Place Bedford MK40 3LE
Bankers	Santander UK Plc Santander House 201 Grafton Gate East Milton Keynes MK9 1AN
Solicitors	Shakespeares Martineau Chancery House 199 Silbury Boulevard Milton Keynes MK9 1JL

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

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BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2016

INTRODUCTION

Following on from a successful year last year, the current year has seen further significant improvements across all service offerings. The company is committed to providing the highest level of customer service and following a number of strategic initiatives, has further enhanced its processes and service delivery.

Growth of both services and revenues within the existing customer base has been exceptional coupled with the growth in new customers. Continued investment in key infrastructure areas during the year will ensure that this growth in customers and service offerings will continue to grow for the foreseeable future.

The Directors are delighted that this growth has been achieved whilst continuing to deliver both strong service excellence and strengthening margins. This has been the result of a focus on process improvement and exceptional service delivery.

BUSINESS REVIEW

Turnover for the year grew by 22%, up from 17.1% last year. The Company takes a long term view in its engagement and relationships with its customers and is committed to securing long term contracts which benefits both the customer and the Company alike. To this end a key business metric is growth in Annual Contract Values which this year grew by 21% (2015 – 30%).

As a result of this focus on customer excellence and continued business improvements Operating Profits grew by 95.3% (2015 – 47.2%). The Directors are confident that this focus on improvements will result in even further margin growth next year and beyond.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are satisfied that there are no significant risks or uncertainties beyond those of normal market conditions.

FINANCIAL KEY PERFORMANCE INDICATORS

The Group's financial key performance indicators are those of customer service satisfaction, contract value growth, revenue growth and profitability. The Directors are satisfied that all measures are being met and they will continue to do so.

OTHER KEY PERFORMANCE INDICATORS

The Group's other key performance indicator is that of customer satisfaction. The Directors are satisfied that all measures are being met and they will continue to do so.

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



Andrew Rounding
Director

Date: 27 May 2016

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

The Directors present their report and the financial statements for the year ended 31 March 2016.

DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with 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 financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 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.

PRINCIPAL ACTIVITIES

The principal activity of the Company and Group during the year was the provision of IT services, including Managed Services, Maintenance, Data availability, Disaster recovery and the supply of and consultancy for computer hardware.

Ittheon Limited, one of the Company's subsidiaries, develops and sells computer software licences and maintenance agreements.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £6,311,000 (2015 - £3,049,000).

The Directors have not recommended a dividend.

DIRECTORS

The Directors who served during the year were:

Brian Meredith
Roy Burke
Sadie Nesbitt
Andrew Rounding
Alan Ferguson (resigned 4 April 2016)

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2016

FUTURE DEVELOPMENTS

The Group has invested heavily in the previous years to provide a firm basis for substantial growth. The Directors are confident that no further significant development is required to achieve its growth targets.

FINANCIAL INSTRUMENTS

Treasury operations

The Group operates a centralised treasury function which is responsible for managing the liquidity, interest and credit risks associated with the group's activities.

Liquidity risk

The group manages its cash and borrowing requirements centrally to maximise interest income and minimise interest expense, whilst ensuring that the group has sufficient resources to meet the operating needs of its businesses.

Interest rate risk

The group is not significantly exposed to interest rate risk as it arranges borrowings on fixed rate terms as appropriate.

Foreign currency risk

The group makes some sales to and purchases from foreign countries. The level of spend is not enough to expose the group to significant foreign currency risk.

Credit risk

The group operates a highly effective credit policy which minimises its credit risk. Levels of credit are monitored regularly to ensure that the exposure is low.

EMPLOYEE INVOLVEMENT

Monthly meetings are held between senior management and employee representatives to discuss matters of concern. Employees are kept well-informed about the progress and position of the group by means of regular departmental meetings, newsletters and journals.

DISABLED EMPLOYEES

The group's policy is to give full and fair consideration to application for employment made by disabled persons, having regard to their particular aptitudes and abilities.

Disabled employees receive appropriate training to promote their career development within the group. Employees who become disabled are retained in their existing posts where possible or retrained for suitable alternative posts.

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 that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 MARCH 2016**

POST BALANCE SHEET EVENTS

On 4 April 2016, the Company completed a share buy-back in respect of 16,110 ordinary shares of 1p each. On the same day, Alan Ferguson resigned as Director.

AUDITORS

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 and signed on its behalf.



Andrew Rounding
Director

Date: 27 May 2016

Franklin Court
Priory Business Park
Bedford
MK44 3JZ

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

We have audited the financial statements of Blue Chip Customer Engineering Limited and its subsidiaries for the year ended 31 March 2016, set out on pages 7 to 42. The financial reporting framework that has been applied in their preparation is applicable law and the 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'.

This report is made solely to the Company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Group Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 March 2016 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.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion 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 Directors' Report has been prepared in accordance with applicable legal requirements.

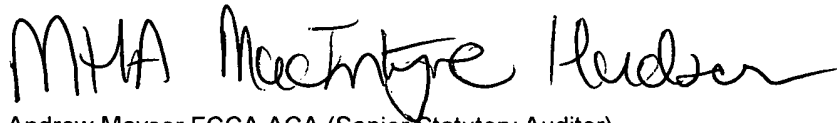
BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF BLUE CHIP CUSTOMER
ENGINEERING LIMITED AND ITS SUBSIDIARIES**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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



Andrew Moyser FCCA ACA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Chartered Accountants

Statutory Auditors

Equipoise House

Grove Place

Bedford

MK40 3LE

Date: 27 May 2016

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 £000	2015 £000
Turnover	3	42,191	34,611
Cost of sales		(10,463)	(8,477)
Gross profit		31,728	26,134
Administrative expenses		(23,424)	(21,897)
Exceptional other operating charges		-	15
Operating profit	4	8,304	4,252
Interest receivable and similar income	8	30	-
Interest payable and expenses	9	(310)	(227)
Profit before taxation		8,024	4,025
Tax on profit	10	(1,713)	(976)
Profit for the year		6,311	3,049
Transfer surplus on revaluation of tangible fixed assets		57	57
Other comprehensive income for the year		57	57
Total comprehensive income for the year		6,368	3,106

The notes on pages 17 to 42 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES
REGISTERED NUMBER:02146732

CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2016

	Note	2016 £000	2015 £000
Fixed assets			
Intangible assets	12	1,945	2,099
Tangible assets	14	20,688	18,895
		<u>22,633</u>	<u>20,994</u>
Current assets			
Stocks	16	5,166	4,760
Debtors: amounts falling due within one year	17	19,236	17,504
Cash at bank and in hand	18	10,266	532
		<u>34,668</u>	<u>22,796</u>
Creditors: amounts falling due within one year	19	(29,644)	(21,756)
Net current assets		<u>5,024</u>	<u>1,040</u>
Total assets less current liabilities		<u>27,657</u>	<u>22,034</u>
Creditors: amounts falling due after more than one year	20	(6,813)	(7,316)
Provisions for liabilities			
Deferred taxation	24	(486)	(671)
		<u>(486)</u>	<u>(671)</u>
Net assets		<u><u>20,358</u></u>	<u><u>14,047</u></u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES
REGISTERED NUMBER:02146732

CONSOLIDATED BALANCE SHEET (continued)
AS AT 31 MARCH 2016

	Note	2016 £000	2015 £000
Capital and reserves			
Called up share capital	25	5	5
Share premium account	26	94	94
Revaluation reserve	26	2,335	2,392
Capital redemption reserve	26	5	5
Profit and loss account	26	17,919	11,551
		<u>20,358</u>	<u>14,047</u>

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



Andrew Rounding
Director

Date: 27 May 2016

The notes on pages 17 to 42 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES
REGISTERED NUMBER:02146732

COMPANY BALANCE SHEET
AS AT 31 MARCH 2016


	Note	2016 £000	2015 £000
Fixed assets			
Tangible assets	14	20,688	18,895
Investments	15	3,095	3,095
		<u>23,783</u>	<u>21,990</u>
Current assets			
Stocks	16	5,166	4,760
Debtors: amounts falling due within one year	17	19,091	17,334
Cash at bank and in hand	18	10,246	519
		<u>34,503</u>	<u>22,613</u>
Creditors: amounts falling due within one year	19	(31,280)	(23,211)
Net current assets/(liabilities)		<u>3,223</u>	<u>(598)</u>
Total assets less current liabilities		<u>27,006</u>	<u>21,392</u>
Creditors: amounts falling due after more than one year	20	(6,813)	(7,303)
Provisions for liabilities			
Deferred taxation	24	(490)	(675)
		<u>(490)</u>	<u>(675)</u>
Net assets		<u><u>19,703</u></u>	<u><u>13,414</u></u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES
REGISTERED NUMBER:02146732

COMPANY BALANCE SHEET (continued)
AS AT 31 MARCH 2016

	Note	31 March 2016 £000	31 March 2015 £000
Capital and reserves			
Called up share capital	25	5	5
Share premium account	26	94	94
Revaluation reserve	26	2,335	2,392
Capital redemption reserve	26	5	5
Profit and loss account	26	17,264	10,918
		<u>19,703</u>	<u>13,414</u>

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


.....
Andrew Rounding
Director

Date: 27 May 2016

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluat'n reserve £000	Retained earnings £000	Total equity £000
At 1 April 2015	5	94	5	2,392	11,551	14,047
Comprehensive income for the year						
Profit for the year	-	-	-	-	6,311	6,311
Surplus on revaluation of freehold property	-	-	-	(57)	57	-
Other comprehensive income for the year	-	-	-	(57)	57	-
Total comprehensive income for the year	-	-	-	(57)	6,368	6,311
At 31 March 2016	5	94	5	2,335	17,919	20,358

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluat'n reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	5	94	5	2,449	8,445	10,998
Comprehensive income for the year						
Profit for the year	-	-	-	-	3,049	3,049
Surplus on revaluation of freehold property	-	-	-	(57)	57	-
Other comprehensive income for the year	-	-	-	(57)	57	-
Total comprehensive income for the year	-	-	-	(57)	3,106	3,049
At 31 March 2015	5	94	5	2,392	11,551	14,047

The notes on pages 17 to 42 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluat'n reserve £000	Retained earnings £000	Total equity £000
At 1 April 2015	5	94	5	2,392	10,918	13,414
Comprehensive income for the year						
Profit for the year	-	-	-	-	6,289	6,289
Surplus on revaluation of freehold property	-	-	-	(57)	57	-
Other comprehensive income for the year	-	-	-	(57)	57	-
Total comprehensive income for the year	-	-	-	(57)	6,346	6,289
At 31 March 2016	5	94	5	2,335	17,264	19,703

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2015**

	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluat'n reserve £000	Retained earnings £000	Total equity £000
At 1 April 2014	5	94	5	2,449	8,008	10,561
Comprehensive income for the year						
Profit for the year	-	-	-	-	2,853	2,853
Surplus on revaluation of freehold property	-	-	-	(57)	57	-
Other comprehensive income for the year	-	-	-	(57)	57	-
Total comprehensive income for the year	-	-	-	(57)	2,910	2,853
At 31 March 2015	5	94	5	2,392	10,918	13,414

The notes on pages 17 to 42 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	2016 £000	2015 £000
Cash flows from operating activities		
Profit for the financial year	6,311	3,049
Adjustments for:		
Amortisation of intangible assets	154	154
Depreciation of tangible assets	3,339	2,020
Increase in stocks	(406)	(211)
Interest paid	310	227
Interest received	(30)	-
Taxation charge	1,712	976
Increase in debtors	(1,729)	(3,421)
Increase in creditors	7,440	3,773
Tax paid	(1,149)	(902)
Loss on disposal of operations	-	240
Net cash generated from operating activities	15,952	5,905
Cash flows from investing activities		
Purchase of tangible fixed assets	(3,819)	(2,226)
Sale of tangible fixed assets	30	-
Interest received	30	-
Net cash from investing activities	(3,759)	(2,226)
Cash flows from financing activities		
Repayment of loans	(339)	(323)
Repayment of/new finance leases	(1,810)	(857)
Interest paid	(310)	(227)
Net cash used in financing activities	(2,459)	(1,407)
Net increase / (decrease) in cash and cash equivalents	9,734	2,272
Cash and cash equivalents at beginning of year	532	(1,740)
Cash and cash equivalents at the end of year	10,266	532
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	10,266	532
	10,266	532

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES

1.1 General information

The Company is a private limited liability company incorporated in England and Wales.

The registered office is Franklin Court, Priory Business Park, Bedford, MK44 3JZ.

1.2 Statement of compliance

The financial statements have been prepared in compliance with Financial Reporting Standard 102 as it applies to the financial statements for the year ended 31 March 2016.

The company transitioned from previously extant UK GAAP to FRS 102 as at 1 April 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in the notes to the financial statements.

1.3 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

Information on the impact of first-time adoption of FRS 102 is given in note 35.

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 Company's accounting policies (see note 2).

The following principal accounting policies have been applied:

1.4 Basis of consolidation

The financial statements consolidate the accounts of the Company and its subsidiary undertakings made up to the Balance Sheet date and its share of the results and post-acquisition reserves of associated undertakings.

The profits and losses of subsidiary and associated undertakings are consolidated from the date of acquisition to the date of disposal. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as goodwill and amortised through the Income Statement in equal instalments over its estimated useful life.

The results of subsidiaries sold are included up to the effective date of disposal.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1. ACCOUNTING POLICIES (continued)

1.5 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:

Future Services Revenue relates to income that has been deferred over the life of its services contract. The value of the maintenance in advance included within creditors is effectively the income due to the Company if no more contracts were sold after the year end date. As each month of the contract continues sales are credited to the Income Statement. Contracts can be cancelled in the last 90 days remaining on the contract, however they are non-refundable.

1.6 Intangible fixed assets and amortisation

Amortisation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset.

Amortisation is provided at the following rates:

Goodwill	-	over 20 years straight line
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1.7 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.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

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:

Freehold property	- 50 years
Leasehold property	- 50 years
Motor vehicles	- 4 years
Fixtures and fittings	- 5 years
Plant and IT equipment	- 3-50 years

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 within 'other operating income' in the Consolidated Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.8 Revaluation of tangible fixed assets

Individual freehold and leasehold properties are carried at current year value at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are undertaken with sufficient regularity to ensure the carrying amount does not differ materially from that which would be determined using fair value at the Balance Sheet date.

Fair values are determined from market based evidence normally undertaken by professionally qualified valuers.

Revaluation gains and losses are recognised in the Consolidated Statement of Comprehensive Income unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the excess losses are recognised in profit or loss.

1.9 Investments

(i) Subsidiary undertakings

Investments in subsidiaries are valued at cost less provision for impairment.

(ii) Other investments

Investments held as fixed assets are shown at cost less provision for impairment.

1.10 Operating leases: Lessee

Rentals paid under operating leases are charged to the profit or loss on a straight line basis over the period of the lease.

1.11 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

1.12 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 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.13 Debtors

Short term debtors are measured at transaction price, less any impairment.

1.14 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 Company's cash management.

1.15 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 accounts receivable and payable, 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 payables or receivables, 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 case of an outright 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.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- i) at fair value with changes recognised in the Income Statement if the shares are publicly traded or their fair value can otherwise be measured reliably;
- ii) at cost less impairment for all other investments.

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 Income Statement.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.15 Financial instruments (continued)

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, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

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.

1.16 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.

1.17 Foreign currencies

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the Balance Sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the Income Statement.

1.18 Finance costs

Finance costs are charged to the Income Statement 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.

1.19 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 payments obligations.

The contributions are recognised as an expense in the Income Statement 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.20 Interest income

Interest income is recognised in the Income Statement using the effective interest method.

1.21 Borrowing costs

All borrowing costs are recognised in the Income Statement in the year in which they are incurred.

1.22 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 Income Statement 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.

1.23 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Income Statement, except that a change 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

1. ACCOUNTING POLICIES (continued)

1.24 Research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred except development expenditure incurred on individual projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with sales from the relevant projects.

1.25 Share based payments

The cost of equity-settled transactions with Directors and employees is measured by reference to the fair value at the date at which the options are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to market condition, be treated as vesting as described above.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if the difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation of settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

The company has taken advantage of the transitional provisions of Financial Reporting Standard 20 in respect of equity-settled awards so as to apply Financial Reporting Standard 20 only to those equity-settled awards granted after 7 November 2002 that had not vested before 1 January 2006.

1.26 Employee Benefit Trust

The Group operates an Employee Benefit Trust over which it has no de facto control. Accordingly, the Employee Benefit Trust is not recognised or consolidated in these financial statements.

1.27 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

**2. JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION
UNCERTAINTY****Judgments**

There are no judgments (apart from those involving estimates) that have had a significant effect on amounts recognised in the Financial Statements.

Key sources of estimation uncertainty**i) Useful economic lives of tangible fixed assets**

The useful economic lives used by the Group in respect of tangible fixed assets are set out in the accounting policies. These estimates are the best estimate based on past experience and expected performance and are regularly reviewed to ensure they remain appropriate. The net book value of tangible fixed assets as at 31 March 2016 was £20,688k after a depreciation charge in the year of £3,366k.

ii) Carrying value of stock

The useful economic life used by the Group in respect of stock is assessed by management and the carrying value reduced accordingly. These estimates are the best estimate based on past experience and expected performance and are regularly reviewed to ensure they remain appropriate. The carrying value of the stock as at 31 March 2016 was £5,166k.

3. ANALYSIS OF TURNOVER

Analysis of turnover by country of destination:

	2016 £000	2015 £000
United Kingdom	41,182	34,468
Rest of the world	1,009	143
	<u>42,191</u>	<u>34,611</u>

4. OPERATING PROFIT

The operating profit is stated after charging:

	2016 £000	2015 £000
Depreciation of tangible fixed assets	3,366	2,047
Amortisation of intangible assets, including goodwill	154	154
Fees payable to the Group's auditor and its associates for the audit of the company's annual financial statements	18	18
Exchange differences	42	(19)
Defined contribution pension cost	829	670
Operating lease rentals - plant and machinery	719	668

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

5. AUDITOR'S REMUNERATION

	2016	2015
	£000	£000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	41	41

6. EMPLOYEES

Staff costs were as follows:

	2016	2015
	£000	£000
Wages and salaries	13,263	12,379
Social security costs	1,706	1,624
Cost of defined contribution scheme	829	670
	15,798	14,673

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

	2016	2015
	No.	No.
Number of sales staff	11	12
Number of engineers	112	110
Number of administrative staff	68	61
Number of management staff	18	15
	209	198

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

7. DIRECTORS' REMUNERATION

	2016 £000	2015 £000
Directors' emoluments	706	875
Company contributions to defined contribution pension schemes	16	19
	<u>722</u>	<u>894</u>

During the year retirement benefits were accruing to 3 Directors (2015 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £238,000 (2015 - £259,000).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £7,000 (2015 - £10,000).

The key management of the Company include the Directors only.

8. INTEREST RECEIVABLE

	2016 £000	2015 £000
Other interest receivable	30	-
	<u>30</u>	<u>-</u>

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2016 £000	2015 £000
Bank interest payable	310	212
Other loan interest payable	-	15
	<u>310</u>	<u>227</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

10. TAXATION

	2016 £000	2015 £000
Corporation tax		
Current tax on profits for the year	1,747	830
Adjustments in respect of previous periods	150	38
Total current tax	1,897	868
Deferred tax		
Origination and reversal of timing differences	(184)	108
Total deferred tax	(184)	108
Taxation on profit on ordinary activities	1,713	976

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2015 - higher than) the standard rate of corporation tax in the UK of 20% (2015 - 21%). The differences are explained below:

	2016 £000	2015 £000
Profit on ordinary activities before tax	8,024	4,025
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 21%)	1,605	845
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	31	32
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	19	38
Capital allowances for year in excess of depreciation	144	(134)
Adjustments to tax charge in respect of prior periods	150	38
Short term timing difference leading to an increase (decrease) in taxation	-	(3)
Non-taxable income	(52)	-
Deferred tax movement	(184)	108
Other differences leading to an increase (decrease) in the tax charge	-	52
Total tax charge for the year	1,713	976

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

11. EXCEPTIONAL ITEMS

	2016 £000	2015 £000
Gain on disposal of investments	-	15
	<u>-</u>	<u>15</u>

During the prior year the Group disposed of two subsidiaries: Blue Chip Customer Engineering Nordic AB and Blue Chip Services AB, both incorporated in Sweden. The two companies were dormant during that year and were struck off the company register in January 2015.

The disposal gave rise to a gain on disposal of £15,000.

12. INTANGIBLE ASSETS**Group**

	Goodwill £000
Cost	
At 1 April 2015	3,375
At 31 March 2016	<u>3,375</u>
Amortisation	
At 1 April 2015	1,276
Charge for the year	154
At 31 March 2016	<u>1,430</u>
Net book value	
At 31 March 2016	<u>1,945</u>
At 31 March 2015	<u>2,099</u>

13. 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 Comprehensive Income in these financial statements. The profit after tax of the parent Company for the year was £6,289,000 (2015 - £2,853,000).

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

14. TANGIBLE FIXED ASSETS

Group

	Freehold and longterm leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Plant and IT equipment £000	Total £000
Cost or valuation					
At 1 April 2015	7,020	261	268	17,239	24,788
Additions	-	51	-	5,160	5,211
Disposals	-	(58)	(23)	-	(81)
At 31 March 2016	<u>7,020</u>	<u>254</u>	<u>245</u>	<u>22,399</u>	<u>29,918</u>
Depreciation					
At 1 April 2015	601	175	130	4,986	5,892
Charge owned for the period	150	33	37	3,146	3,366
Disposals	-	(28)	-	-	(28)
At 31 March 2016	<u>751</u>	<u>180</u>	<u>167</u>	<u>8,132</u>	<u>9,230</u>
Net book value					
At 31 March 2016	<u>6,269</u>	<u>74</u>	<u>78</u>	<u>14,267</u>	<u>20,688</u>
At 31 March 2015	<u>6,419</u>	<u>86</u>	<u>138</u>	<u>12,252</u>	<u>18,895</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

14. TANGIBLE FIXED ASSETS (continued)

The net book value of land and building may be further analysed as follows:

	2016 £000	2015 £000
Freehold	3,167	3,237
Long leasehold	3,102	3,182
	<u>6,269</u>	<u>6,419</u>

The Group's freehold and leasehold properties were valued in the year to 31 March 2011 on the basis of an open market value for existing use by Aitchison Raffety and DTZ, qualified valuers. The valuation amounted to £7,020,000, which gave rise to a surplus of £2,611,000, which was credited to the revaluation reserve. The latest subsequent revaluation took place in January 2013, again by Aitchison Raffety and DTZ, which confirmed that the valuation was still appropriate.

The Directors believe the net book value of the properties are not significantly different from the open market value at 31 March 2016.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2016 £000	2015 £000
Plant and IT equipment	3,535	4,426
	<u>3,535</u>	<u>4,426</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

Company

	Freehold and longterm leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Plant and IT equipment £000	Total £000
Cost or valuation					
At 1 April 2015	7,020	261	268	17,239	24,788
Additions	-	51	-	5,160	5,211
Disposals	-	(58)	(23)	-	(81)
At 31 March 2016	<u>7,020</u>	<u>254</u>	<u>245</u>	<u>22,399</u>	<u>29,918</u>
Depreciation					
At 1 April 2015	601	175	130	4,986	5,892
Charge owned for the period	150	33	37	3,146	3,366
Disposals	-	(28)	-	-	(28)
At 31 March 2016	<u>751</u>	<u>180</u>	<u>167</u>	<u>8,132</u>	<u>9,230</u>
At 31 March 2016	<u>6,269</u>	<u>74</u>	<u>78</u>	<u>14,267</u>	<u>20,688</u>
At 31 March 2015	<u>6,419</u>	<u>86</u>	<u>138</u>	<u>12,252</u>	<u>18,895</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

The net book value of land and building may be further analysed as follows:

	2016	2015
	£000	£000
Freehold	3,167	3,237
Long leasehold	3,102	3,182
	<u>6,269</u>	<u>6,419</u>

The Group's freehold and leasehold properties were valued in the year to 31 March 2011 on the basis of an open market value for existing use by Aitchison Raffety and DTZ, qualified valuers. The valuation amounted to £7,020,000, which gave rise to a surplus of £2,611,000, which was credited to the revaluation reserve. The latest subsequent revaluation took place in January 2013, again by Aitchison Raffety and DTZ, which confirmed that the valuation was still appropriate.

The Directors believe the net book value of the properties are not significantly different from the open market value at 31 March 2016.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows:

	2016	2015
	£000	£000
Group and company		
Cost	4,646	4,646
Accumulated depreciation	(707)	(614)
Net book value	<u>3,939</u>	<u>4,032</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

15. FIXED ASSET INVESTMENTS**Subsidiary undertakings**

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Itheon Limited	England	Ordinary	100 %	Developing and selling computer software licences and maintenance agreements
Icon IPX Limited	England	Ordinary	100 %	Dormant
Blue Chip Parts Limited	England	Ordinary	100 %	Dormant
Blue Chip Limited	England	Ordinary	100 %	Dormant

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

15. FIXED ASSET INVESTMENTS (continued)

The aggregate of the share capital and reserves as at 31 March 2016 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 £000	Profit/(loss) £000
Ittheon Limited	1,809	176
Icon IPX Limited	-	-
Blue Chip Parts Limited	-	-
Blue Chip Limited	-	-
	<u>1,809</u>	<u>176</u>

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2015	<u>3,124</u>
At 31 March 2016	<u>3,124</u>
Impairment	
At 1 April 2015	<u>29</u>
At 31 March 2016	<u>29</u>
Net book value	
At 31 March 2016	<u>3,095</u>
At 31 March 2015	<u>3,095</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

16. STOCKS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
IT equipment and parts	5,166	4,760	5,166	4,760
	5,166	4,760	5,166	4,760

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

Stock recognised in cost of sales during the year as an expense was £9,414,000 (2015 - £8,083,000).

An impairment loss of £nil (2015 - £nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

17. DEBTORS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Trade debtors	9,618	10,455	9,524	10,292
Director's current account	4,241	3,603	4,241	3,603
Other debtors	1,264	996	1,220	996
Prepayments and accrued income	4,113	2,450	4,106	2,443
	19,236	17,504	19,091	17,334

18. CASH AND CASH EQUIVALENTS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Cash at bank and in hand	10,266	532	10,246	519
	10,266	532	10,246	519

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

19. CREDITORS: Amounts falling due within one year

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans	340	316	340	316
Trade creditors	3,387	2,966	3,387	2,956
Amounts owed to group undertakings	-	-	1,821	1,702
Corporation tax	1,695	948	1,651	867
Taxation and social security	1,886	806	1,881	790
Obligations under finance lease and hire purchase contracts	1,851	1,220	1,851	1,220
Other creditors	77	62	77	60
Accruals and deferred income	20,408	15,438	20,272	15,300
	29,644	21,756	31,280	23,211

Secured creditors

The Group's main bank has a cross guarantee between the parent company and a subsidiary, Itheon Limited.

The bank loan and bank overdraft are secured on a fixed charge on the Group's freehold property.

Liabilities under finance lease and hire purchase agreements are secured upon the assets concerned.

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

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Bank loans	3,680	4,043	3,680	4,043
Net obligations under finance leases and hire purchase contracts	1,649	2,722	1,649	2,722
Accruals and deferred income	1,484	551	1,484	538
	6,813	7,316	6,813	7,303

Secured creditors

The bank loan and bank overdraft are secured on a fixed charge on the Group's freehold property.

Liabilities under finance lease and hire purchase agreements are secured upon the assets concerned.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

21. LOANS

Analysis of the maturity of loans is given below:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Amounts falling due within one year				
Bank loans	340	316	340	316
	<u>340</u>	<u>316</u>	<u>340</u>	<u>316</u>
Amounts falling due 1-2 years				
Bank loans	340	316	340	316
	<u>340</u>	<u>316</u>	<u>340</u>	<u>316</u>
Amounts falling due 2-5 years				
Bank loans	1,021	948	1,021	948
	<u>1,021</u>	<u>948</u>	<u>1,021</u>	<u>948</u>
Amounts falling due after more than 5 years				
Bank loans	2,319	2,779	2,319	2,779
	<u>2,319</u>	<u>2,779</u>	<u>2,319</u>	<u>2,779</u>

22. HIRE PURCHASE & FINANCE LEASES

Minimum lease payments under hire purchase fall due as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Within one year	1,851	1,220	1,851	1,220
Between 1-2 years	1,421	1,500	1,421	1,500
Between 2-5 years	228	1,222	228	1,222
	<u>3,500</u>	<u>3,942</u>	<u>3,500</u>	<u>3,942</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

23. FINANCIAL INSTRUMENTS

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Financial assets				
Financial assets measured at fair value through profit or loss	10,266	532	10,246	519
Financial assets that are debt instruments measured at amortised cost	15,122	15,054	14,985	14,891
	25,388	15,586	25,231	15,410
Financial liabilities				
Financial liabilities measured at amortised cost	(12,425)	(12,121)	(14,246)	(13,801)
	(12,425)	(12,121)	(14,246)	(13,801)

Financial assets measured at fair value through profit or loss comprise:

Group

- Cash and cash equivalents £10,266,000 (2015: £532,000)

Company

- Cash and cash equivalents £10,246,000 (2015: £519,000)

Financial assets measured at amortised cost comprise:

Group

- Trade debtors £9,618,000 (2015: £10,455,000)
- Director's current account £4,241,000 (2015: £3,603,000)
- Other debtors £1,260,000 (2015: £996,000)

Company

- Trade debtors £9,524,000 (2015: £10,292,000)
- Director's current account £4,241,000 (2015: £3,603,000)
- Other debtors £1,220,000 (2015: £996,000)

Financial Liabilities measured at amortised cost comprise:

Group

- Trade creditors £3,387,000 (2015: £2,965,000)
- Bank loans £4,020,000 (2015: £4,359,000)
- Obligations under hire purchase £3,500,000 (2015: £3,942,000)
- Other creditors £77,000 (2015: £60,000)
- Accruals £1,441,000 (2015: £795,000)

Company

- Trade creditors £3,387,000 (2015: £2,956,000)
- Amounts owed to group undertakings £1,821,000 (2015: £1,702,000)
- Bank loans £4,020,000 (2015: £4,359,000)
- Obligations under hire purchase £3,500,000 (2015: £3,942,000)
- Other creditors £77,000 (2015: £60,000)
- Accruals £1,441,000 (2015: £782,000)

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

24. Deferred taxation

Group

	Deferred tax £000
At 1 April 2015	671
Charged to the profit or loss	(185)
At 31 March 2016	486

Company

	Deferred tax £000
At 1 April 2015	675
Charged to the profit or loss	(185)
At 31 March 2016	(490)

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Accelerated capital allowances	521	706	525	710
Tax losses carried forward	(27)	(27)	(27)	(27)
Other timing differences	(8)	(8)	(8)	(8)
	486	671	490	675

25. SHARE CAPITAL

	2016 £000	2015 £000
Allotted, called up and fully paid		
525,749 Ordinary shares of £0.01 each	5	5

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

26. Reserves

Share premium

Share premium includes premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

Revaluation reserve

Revaluation reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decrease relates to an increase on the same asset.

Capital redemption reserve

Capital redemption reserve records the nominal value of shares repurchased by the Company.

Profit and loss account

Profit and loss account includes all current and previous period retained profits and losses.

27. SHARE BASED PAYMENTS

The Group operates an Enterprise Management Incentive Share Option Scheme (EMI Scheme) for certain eligible Directors and employees. The options will vest if the Director or employee remains in service for a period agreed with the management from the date of grant. There are no other market or non-market conditions imposed on the options granted. The exercise price of the options is equal to the market price of the shares on the date of grant. The contractual life of the options is a maximum of ten years and there are no cash settlement alternatives.

The expense recognised for the share-based payments in respect of employee services received during the year ended 31 March 2016 is £nil (2015: £nil).

The share options outstanding at the end of the year have a weighted average remaining contractual life of 0.7 years (2015 - 1.7 years) and all have an exercise price of £0.01. As the Group is not publicly traded, it does not have a weighted average share price at the date the share options were exercised.

The following table illustrates the number and weighted average exercise price of, and movements in, share options during the year.

	Weighted average exercise price (pence) 2016	Number 2016	Weighted average exercise price (pence) 2015	Number 2015
Outstanding at the beginning of the year	0.01	11,239	0.01	11,239
Outstanding at the end of the year	0.01	11,239	0.01	11,239

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

28. CONTINGENT LIABILITIES

The Group is VAT group registered. In accordance with VAT group registration rules, there exists automatically a cross guarantee given to HM Revenue and Customs in respect of the combined VAT liability across the two entities.

29. CAPITAL COMMITMENTS

The Group and Company had £337,000 of capital commitments contracted for but not provided in the previous year.

30. PENSION COMMITMENTS

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £829,000 (2015: £670,000).

Included within other creditors are outstanding contributions amounting to £76,000 (2015: £62,000) at the year end.

31. COMMITMENTS UNDER OPERATING LEASES

At 31 March 2016 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2016 £000	Group 2015 £000	Company 2016 £000	Company 2015 £000
Land and buildings				
Not later than 1 year	60	60	60	60
Later than 1 year and not later than 5 years	240	240	240	240
Later than 5 years	15	75	15	75
Total	315	375	315	375

The Group and Company also had other commitments under operating leases in the previous year of £159,000 due within one year (2016: nil).

32. TRANSACTIONS WITH DIRECTORS

At the year end, Brian Meredith had an overdrawn Director's current account with the Group totaling £4,241,000 (2015: £3,603,000). During the year net advances of £638,000 were made to Brian Meredith from the Group. The loan is unsecured and interest free. The balance is repayable upon demand by the Group.

BLUE CHIP CUSTOMER ENGINEERING LIMITED AND ITS SUBSIDIARIES

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

33. RELATED PARTY TRANSACTIONS

During the year the Group rented a property in Caxton Road, Bedford from the Directors' pension scheme. Total rentals during the year amounted to £60,000 (2015: £60,000).

34. CONTROLLING PARTY

The Group was under the control of Brian Meredith throughout the current and previous year by virtue of his shareholding in the company.

35. FIRST TIME ADOPTION OF FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have not impacted on equity or profit or loss.