

Registered number: 02146732

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2017



BLUE CHIP CUSTOMER ENGINEERING LIMITED

COMPANY INFORMATION

DIRECTORS

Brian Meredith
Andrew Rounding
Sadie Nesbitt
Steve Varnish
Graeme Creasy

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 Auditor
Equipoise House
Grove Place
Bedford
MK40 3LE

BLUE CHIP CUSTOMER ENGINEERING LIMITED

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BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED SEPTEMBER 2017

The Directors present their report and the financial statements for the period ended 30 September 2017.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing 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 period. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Company financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- state that the company has complied with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

PRINCIPAL ACTIVITY

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

RESULTS AND DIVIDENDS

The profit for the year ended 30 September 2017, after taxation, amounted to £4,594,000 (six months ended 30 September 2016: £6,152,000)

The directors have paid a dividend of £nil (six months ended 30 September 2016: £4,256,000). The directors have not recommended any further dividends.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED SEPTEMBER 2017

DIRECTORS

The Directors who served during the period were:

Brian Meredith
Andrew Rounding
Sadie Nesbitt
Steve Varnish (appointed 10 January 2017)
Douglas Greenwell (appointed 3 August 2017, resigned 8 May 2018)
Liam Dolan-Barr (appointed 19 April 2017, resigned 2 February 2018)

Graeme Creasy was appointed as a director after the year end (appointed 10 May 2018).

FUTURE DEVELOPMENTS

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

Liquidity risk

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

Interest rate risk

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

Foreign currency risk

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

Credit risk

The Company 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 Company by means of regular departmental meetings, newsletters and journals.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED SEPTEMBER 2017

DISABLED EMPLOYEES

The Company'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 Company. 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'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's auditor is aware of that information.

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.



.....
Steve Varnish
Director

Date: 8 June 2018

Franklin Court
Priory Business Park
Bedford
MK44 3JZ

BLUE CHIP CUSTOMER ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUE CHIP CUSTOMER ENGINEERING LIMITED (continued)

OPINION

We have audited the financial statements of Blue Chip Customer Engineering Limited for the year ended 30 September 2017 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 company's affairs as at 30 September 2017, and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

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 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUE CHIP CUSTOMER ENGINEERING LIMITED (continued)

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.

OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

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

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

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out 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 company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLUE CHIP CUSTOMER ENGINEERING LIMITED (continued)

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/auditors-responsibilities. The description forms part of our Auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Andrew Moyser FCCA ACA (Senior Statutory Auditor)

for and on behalf of

MHA MacIntyre Hudson

Statutory Auditor

Chartered Accountants

Equipoise House

Grove Place

Bedford

MK40 3LE



Date: 8 June 2018

BLUE CHIP CUSTOMER ENGINEERING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED SEPTEMBER 2017

		Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Continuing operations	Note		
Revenue	4	46,940	22,204
Cost of sales		(14,240)	(6,045)
Gross profit		32,700	16,159
Administrative expenses		(26,885)	(12,499)
Result from operating activities	5	5,815	3,660
Finance costs	9	(211)	(123)
Finance income	10	8	9
Profit before tax		5,612	3,546
Income tax expense	11	(1,018)	2,606
Profit for the period		4,594	6,152
Other comprehensive income			
Revaluation of tangible fixed assets	12	-	22,861
Deferred tax on revaluation	20	-	(4,700)
Profit for the period and total comprehensive income for the period		4,594	24,313

The notes on pages 14 to 39 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Notes	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Assets			
Non current assets			
Property, plant and equipment	12	44,599	44,325
Investments in subsidiaries	13	3,095	3,095
		<u>47,694</u>	<u>47,420</u>
Current assets			
Inventories	15	6,161	5,478
Trade and other receivables	16	13,237	14,132
Prepayments and accrued income		4,520	4,396
Cash and cash equivalents	17	5,079	1,494
Amounts owed by group undertakings		1,670	-
		<u>30,667</u>	<u>25,500</u>
Total assets		<u>78,361</u>	<u>72,920</u>
Equity			
Issued capital and reserves			
Share capital	18	5	5
Share premium	19	94	94
Revaluation reserve	19	20,496	20,496
Capital redemption reserve	19	5	5
Retained earnings			
At 1 October/1 April		15,310	17,264
Profit for the year attributable to the owners		4,594	6,152
Other changes in retained earnings		-	(8,106)
		<u>19,904</u>	<u>15,310</u>
Total equity		<u>40,504</u>	<u>35,910</u>
Non current liabilities			
Deferred income tax	20	4,977	4,232
Loans and borrowings	22	271	-
Obligations under finance leases	24	1,634	1,557
Accruals and deferred income		1,786	647
		<u>8,668</u>	<u>6,436</u>
Current liabilities			
Trade and other payables	21	28,512	28,591
Loans and borrowings	22	404	-
Income tax payable		273	-
Amounts owed to group undertakings		-	1,983
		<u>29,175</u>	<u>30,574</u>
Total equity and liabilities		<u>78,361</u>	<u>72,920</u>

The notes on pages 14 to 39 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

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



.....
Steve Varnish
Director

Date: 8 June 2018

The notes on pages 14 to 39 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED SEPTEMBER 2017

Note	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluat'n reserve £000	Retained earnings £000	Total equity £000
Balance at 1 October 2016	5	94	5	20,496	15,310	35,910
Profit for the year	-	-	-	-	4,594	4,594
	<u>5</u>	<u>94</u>	<u>5</u>	<u>20,496</u>	<u>19,904</u>	<u>40,504</u>
Other comprehensive income	-	-	-	-	-	-
Equity dividends	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-
Balance at 30 September 2017	<u>5</u>	<u>94</u>	<u>5</u>	<u>20,496</u>	<u>19,904</u>	<u>40,504</u>

	Share capital £000	Share premium £000	Capital redemption reserve £000	Revaluat'n reserve £000	Retained earnings £000	Total equity £000
Balance at 1 April 2016	5	94	5	2,335	17,264	19,703
Profit for the period	-	-	-	-	6,152	6,152
	<u>5</u>	<u>94</u>	<u>5</u>	<u>2,335</u>	<u>23,416</u>	<u>25,855</u>
Other comprehensive income	-	-	-	18,161	-	18,161
Equity dividends	-	-	-	-	(4,256)	(4,256)
Purchase of own shares	-	-	-	-	(3,850)	(3,850)
Balance at 30 September 2016	<u>5</u>	<u>94</u>	<u>5</u>	<u>20,496</u>	<u>15,310</u>	<u>35,910</u>

The notes on pages 14 to 39 form part of these financial statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 2017

1. AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The company's financial statements for the year were authorised for issue on 8 June 2018 and the statement of financial position signed on the board's behalf by Steve Varnish. Blue Chip Customer Engineering Limited is a private limited company incorporated and domiciled in England & Wales. The address of the registered office is shown on page 2.

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The principal accounting policies adopted by the company are set out in note 2.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention.

2.2 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company 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:

Deferred income relates to revenue that has been deferred and is released to the profit and loss account over the life of its services contract. The value of the deferred income included within creditors is effectively the income due to the company if no more contracts were sold after the period end date. Contracts can be cancelled in the last 90 days remaining on the contract, however they are non-refundable.

2.3 Foreign currency exchange

Transactions in currencies other than the functional currency of the company, pound sterling, are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary assets and liabilities that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation of monetary assets and liabilities are included in net profit or loss for the period. Gains and losses on the retranslation of non-monetary assets and liabilities are recognised directly in other comprehensive income.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

2.4 Income tax

Income tax expense represents the sum of the tax currently payable and deferred income tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred income tax is provided in full, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and the carrying amounts in the financial statements.

Deferred income tax liabilities are generally recognised for all taxable temporary differences and deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than as a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred income tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, and interest in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is charged or credited to the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred income tax is also dealt with in equity.

Deferred income tax is determined using the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred income tax assets and liabilities are offset when they relate to income taxed levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

2.5 Property, plant and equipment

Property, plant and equipment 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 Company adds to the carrying amount of an item of property, plant and equipment 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 Company. 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives, using the straight line method, on the following bases:

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 Statement of Comprehensive Income.

2.6 Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Company of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

2.7 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 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.

2.8 Investments

Subsidiary undertakings

Investments in subsidiaries are valued at historical cost less provision for any permanent diminution in value.

Other investments

Investments held as fixed assets are shown at historical cost less provision for any permanent diminution in value.

2.9 Operating leases: Lessee

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

2.10 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

2.11 Inventories

Inventories 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, inventories 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 the Statement of Comprehensive Income.

2.12 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.

2.13 Financial instruments

Financial assets

Financial assets are recognised and initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

- Trade and other receivables

Trade and other receivables are recognised by the company and carried at original invoice amount less an allowance for any uncollectible or impaired amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

- Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derivative financial instruments

The company's activities expose it to the financial risks of changes in foreign exchange rates. The use of financial derivatives is regulated by key management in accordance with their respective risk management strategies. Changes in values of all derivatives of a financing nature are included within finance costs and income in the statement of comprehensive income.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

Impairment of financial assets

Financial assets, other than those at fair value through the statement of comprehensive income, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the asset have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it is becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in the national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of comprehensive income.

Financial liabilities - classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through the statement of comprehensive income' or 'other financial liabilities'.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

The company derecognises financial liabilities when, and only when, the company's obligations are discharged, cancelled or they expire.

Trade and other payables

Trade and other payables are recognised by the company and carried at original invoice amount.

2.14 Finance costs

Finance costs are charged to profit or loss 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 Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.17 Provisions for liabilities

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

2.18 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.

2.19 Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value excludes the effect of non-market-based vesting conditions.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market-based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2.20 Capital management

Capital consists of ordinary shares, retained earnings and other reserves. The board monitors the return on capital. The company is not subject to any externally imposed capital requirements.

2.21 Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

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

Judgements

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

Estimates

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The critical accounting estimates or judgements relevant to the financial statements are embedded within the relevant notes to the financial statements:

- 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 30 September 2017 was £44,600,000 after a depreciation charge in the year of £4,912,000.
- 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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

2. ACCOUNTING POLICIES (continued)

- Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

- Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes.

In estimating the fair value of an asset or a liability, the Group engages third party qualified valuers to perform the valuation. The directors work closely with the qualified external valuers to establish the appropriate valuation technique.

2.22 Standards issued but not yet effective

The following accounting standards and interpretations have been issued by the IASB but in some cases have not yet been endorsed by the EU and have not been early adopted by the Company:

- IFRS 9 'Financial instruments'. IFRS 9, as issued reflects the first phase of the IASB's work on the replacement of IAS 39 'Financial Instruments: recognition and measurement' and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39 and introduces an expected credit loss model for the measurement of the impairment of financial assets. The effective date for this standard is 1 January 2018.

The Group will quantify the effect in conjunction with other phases, when issued, to present a comprehensive picture. However this new standard is not expected to have a significant impact on the Company's Financial Statements;

- IFRS 15 'Revenue from contracts with customers'. IFRS 15 supersedes IAS 11 'Construction contracts' and IAS 18 'Revenue' and sets out the requirements for recognising revenue that applies to contracts with customers, except for those covered by standards on leases, insurance contracts and financial instruments. This standard becomes effective on 1 January 2018. This new standard is not expected to have a significant impact on the Group's Financial Statements;
- IFRS 16 'Leases'. This new standard replaces IAS 17 'Leases' and its effective date is 1 January 2019. The standard is expected to have an impact on the Group by increasing the leases assets and liabilities recognised in the Statement of Financial Position and modifying the level of lease costs. Apart from the above it is not practicable to provide a reasonable estimate of IFRS 16 at this stage; and
- Annual improvements to IFRSs 2012 – 2014 cycle. These improvements to various standards are not expected to have a significant impact on the Group's Financial Statements.

The directors consider that there are no other new or revised standards relevant to the Company which should be adopted and reported in the 2017 Financial Statements.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

3. FINANCIAL RISK FACTORS

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance.

i) **Market risk**

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the £ Sterling and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Management has set up a policy to require the company to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

ii) **Credit risk**

The company is responsible for managing and analysing the credit risk for each of its new customers before standard payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

iii) **Interest rate risk**

The Group finances its operations through a mixture of equity, bank borrowings and finance leases. Bank borrowings are made using floating rates of interest to maintain a balance with finance lease borrowings which are at fixed rates of interest.

The Group's sensitivity to interest rates has decreased during the current period mainly due to the reduction in variable rate debt instruments.

iv) **Liquidity risk**

Cash flow forecasting is performed and the company monitors rolling forecasts of the company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the company does not breach borrowing limits or covenants on any of its borrowing facilities. Such forecasting takes into consideration the company's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

4. REVENUE

An analysis of revenue is as follows:

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
United Kingdom	46,652	21,757
Rest of the world	288	447
	<u>46,940</u>	<u>22,204</u>

5. OPERATING PROFIT

Operating profit is stated after charging/ (crediting) the following:

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Depreciation of property, plant and equipment	4,913	2,147
Auditor's remuneration - audit services	31	25
Auditor's remuneration - business consultancy	6	3
	<u>37</u>	<u>28</u>
Included in cost of sales		
Raw materials and consumables used	14,923	6,357
Changes in inventories	(683)	(312)
	<u>14,240</u>	<u>6,045</u>
Included in administrative expenses		
Employee expenses	18,178	8,646
Depreciation and amortisation	4,913	2,147
Other admin expenses	3,795	1,706
	<u>26,886</u>	<u>12,499</u>

Auditor's remuneration is paid on behalf of the group by Blue Chip Customer Engineering Limited.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

6. EMPLOYEE EXPENSES

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Wages and salaries	15,299	7,302
Defined contribution plans	1,097	485
Social security costs	1,782	859
	<u>18,178</u>	<u>8,646</u>

The average monthly number of employees during the period was made up as follows:

	Year ended 30 September 2017 No.	6 months ended 30 September 2016 No.
Sales staff	13	13
Engineers	128	131
Administrative staff	77	74
Management staff	24	17
	<u>242</u>	<u>235</u>

7. PENSION COSTS

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 payable by the Group in the year amounted to £1,097,000 (period ended 30 September 2016: £485,000).

The unpaid contributions outstanding at the period end, included within accrued liabilities are £98,000 (30 September 2016: £85,000).

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

8. DIRECTORS' REMUNERATION

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Aggregate emoluments as directors of the company	1,382	175
Retirement benefits of:		
Contributions to defined contribution pension schemes	16	6
During the period the following number of directors:		
	Year ended 30 September 2017 No.	6 months ended 30 September 2016 No.
Accrued benefits under defined contribution pension schemes	3	3
Highest paid director		
	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Aggregate emoluments of the highest paid as directors of the company	500	110
Retirement benefits of:		
Contributions to defined contribution pension schemes in respect of the	-	-

The key management of the Company include the Directors only.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

9. FINANCE COSTS

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Interest paid	211	123
	<u>211</u>	<u>123</u>

10. FINANCE INCOME

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Interest received	8	9
	<u>8</u>	<u>9</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

11. INCOME TAX

Components of income tax expense

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Current income tax (income)/expense		
Current income tax charge	273	(1,649)
Expense for utilisation of group losses	-	-
Adjustments in respect of prior periods	-	-
Current income tax (income)/expense	273	(1,649)
Deferred income tax expense		
Movement in deferred income tax for the period (note 20)	745	(957)
	1,018	(2,606)

Reconciliation of income tax (income)/charge to accounting profit

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Profit before tax	5,657	3,546
Tax at the domestic income tax rate of 19.50% (March 2016: 20%)	1,103	709
Tax effect of depreciation in excess of capital allowances	307	205
Tax effect of non deductible expenses	23	35
Tax effect of brought forward losses	(986)	-
Tax effect of Group relieved losses	(108)	-
Movement in provisions	(7)	-
Tax effect of Patent Box deduction	(59)	-
Tax effect of movements in future tax rates	-	(543)
Tax effect of trade losses carried back	-	1,651
Tax effect of qualifying share schemes	-	(3,706)
Deferred income tax expense	745	(957)
Tax (income)/expense using effective rate	1,018	(2,606)

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold and long term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Plant and IT equipment £000	Total £000
Cost					
At 1 October 2016	29,881	277	358	25,186	55,702
Additions	-	119	208	4,860	5,187
Disposals	-	-	-	-	-
At 30 September 2017	<u>29,881</u>	<u>396</u>	<u>566</u>	<u>30,046</u>	<u>60,889</u>
Depreciation					
At 1 October 2016	792	196	190	10,199	11,377
Charge for the year	83	53	74	4,703	4,912
At 30 September 2017	<u>875</u>	<u>249</u>	<u>264</u>	<u>14,902</u>	<u>16,290</u>
Net book value					
At 30 September 2016	<u>29,089</u>	<u>81</u>	<u>168</u>	<u>14,987</u>	<u>44,325</u>
At 30 September 2017	<u>29,006</u>	<u>147</u>	<u>302</u>	<u>15,144</u>	<u>44,599</u>

	Freehold and long term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Plant and IT equipment £000	Total £000
Cost					
At 1 April 2016	7,020	254	245	22,399	29,918
Additions	-	23	113	2,787	2,923
Revaluations	22,861	-	-	-	22,861
At 30 September 2016	<u>29,881</u>	<u>277</u>	<u>358</u>	<u>25,186</u>	<u>55,702</u>
Depreciation					
At 1 April 2016	751	180	167	8,132	9,230
Charge for period	41	16	23	2,067	2,147
At 30 September 2016	<u>792</u>	<u>196</u>	<u>190</u>	<u>10,199</u>	<u>11,377</u>
Net book value					
At 1 April 2016	<u>6,269</u>	<u>74</u>	<u>78</u>	<u>14,267</u>	<u>20,688</u>
At 30 September 2016	<u>29,089</u>	<u>81</u>	<u>168</u>	<u>14,987</u>	<u>44,325</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

The Company's freehold land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold land and buildings as at 30 September 2017 are, in the opinion of the directors, in line with the valuation work performed by DTZ Debenham Tie Leung Limited, independent valuers not related to the Company, on 3 November 2014.

DTZ Debenham Tie Leung Limited are RICS Registered Valuers, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties.

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The valuation of the freehold land and buildings was based on the power output of the datacentre. There has been no change to the valuation technique during the year.

Details of the Group's fair value hierarchy as at the end of the reporting period are as follows:

	Level 1 £000	Fair value as at 30 September 2017 £000
Freehold land and buildings	29,006	29,006
	<u>29,006</u>	<u>29,006</u>

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

	Year ended 30 September 2017 £000	6 months ended 30 September 2016 £000
Plant and IT equipment	5,977	4,636
	<u>5,977</u>	<u>4,636</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

13. INVESTMENT IN SUBSIDIARIES

As at 30 September 2017	£000
Cost	
At 1 October 2016	3,095
At 30 September 2017	<u>3,095</u>
Accumulated impairment losses	
At 1 October 2016	-
Charge for the year	-
At 30 September 2017	<u>-</u>
Net carrying amount	
At 1 October 2016	3,095
At 30 September 2017	<u>3,095</u>
As at 30 September 2016	£000
Cost	
At 1 April 2016	3,095
At 30 September 2016	<u>3,095</u>
Accumulated impairment losses	
At 1 April 2016	-
Charge for period	-
At 30 September 2016	<u>-</u>
Net carrying amount	
At 1 April 2016	3,095
At 30 September 2016	<u>3,095</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

14. SUBSIDIARIES

The group consists of a parent company, Blue Chip Customer Engineering Limited, incorporated in the UK and a number of subsidiaries held directly Blue Chip Customer Engineering Limited, which operate and are incorporated in the UK.

Information about the composition of the Group at the end of the reporting period is as follows:

Name	Place of incorporation and company number	Principal activity	Holding
ltheon Limited	England – 02121732	Developing and selling computer software licences and maintenance agreements	100%
Icon IPX Limited	England – 03652379	Dormant	100%
Blue Chip Parts Limited	England – 03729738	Dormant	100%
Blue Chip Limited	England – 06902704	Dormant	100%

15. INVENTORIES

	30 September 2017 £000	30 September 2016 £000
IT equipment and parts	6,161	5,478
	<u>6,161</u>	<u>5,478</u>

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

Stock recognised in cost of sales at the year end as an expense was £14,240,000 (September 2016: £6,045,000).

An impairment loss was recognised in cost of sales against stock during the period to write off the value of any stock over 5 years old, in accordance with the adopted policy.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

16. TRADE AND OTHER RECEIVABLES

	30 September 2017 £000	30 September 2016 £000
Receivable from trade customers	11,875	12,792
Other receivables	1,380	1,340
	<u>13,237</u>	<u>14,132</u>

Amounts receivable from trade customers are non-interest bearing and are generally on 30 - 90 day terms.

Included within receivables from trade customers is a total of nil receivable in foreign currency (September 2016: £58,000).

The fair value of trade and other receivables is not materially different from the carrying value.

At the balance sheet date there is £nil provision for bad or doubtful debts (September 2016: £nil) because the directors consider all amounts due to be recoverable.

17. CASH AND CASH EQUIVALENTS

	30 September 2017 £000	30 September 2016 £000
Cash at bank	5,079	1,494
	<u>5,079</u>	<u>1,494</u>

The fair value of cash and cash equivalents is not materially different from the carrying value.

Included in the amount of cash at bank is £73,000 held in foreign currency (September 2016: £19,000).

18. SHARE CAPITAL

Allotted, issued and fully paid share capital

	30 September 2017 No.	£000	30 September 2016 No.	£000
Ordinary shares of £0.01 each	520,878	5	520,878	5

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

19. OTHER RESERVES

	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000
At 1 October 2016	94	5	20,496
Revaluation of freehold property	-	-	-
	<u>94</u>	<u>5</u>	<u>20,496</u>

	Share premium £000	Capital redemption reserve £000	Revaluation reserve £000
At 1 April 2016	94	5	2,335
Revaluation of freehold property	-	-	18,161
	<u>94</u>	<u>5</u>	<u>20,496</u>

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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

20. DEFERRED INCOME TAX

	<i>Statement of Financial Position</i>		<i>Recognised in Profit or Loss</i>		<i>Other Comprehensive Income</i>
	30 September 2017 £000	30 September 2016 £000	30 September 2017 £000	30 September 2016 £000	30 September 2017 £000
Deferred income tax asset / (liabilities)					
Accelerated capital allowances	(299)	(506)	207	14	-
Short term timing difference	8	15	(7)	2	-
Losses and other deductions	14	959	(945)	941	-
	(277)	468	(745)	957	-
Capital gains tax	(4,700)	(4,700)	-	-	-
	(4,977)	(4,232)	(745)	957	-

21. TRADE AND OTHER PAYABLES

	30 September 2017 £000	30 September 2016 £000
Payable to trade suppliers	4,529	3,000
Other payables	99	89
Obligations under finance leases	2,224	2,422
Accruals and deferred income	19,298	21,320
Tax payables	2,362	1,760
	28,512	28,591

The fair value of trade and other payables is not materially different to the carrying value.

Included within amounts payable to trade suppliers is £5,796 payable in foreign currency (September 2016: £140,000).

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 Company's freehold property.

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

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

22. LOANS AND BORROWINGS

	30 September 2017 £000	30 September 2016 £000
Bank loans	675	-
	<u>675</u>	<u>-</u>
The borrowings are repayable as follows:		
On demand or within one year	404	-
In the second year	271	-
In the third to fifth years inclusive	-	-
After five years	-	-
	<u>675</u>	<u>-</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	(404)	-
Amount due for settlement after 12 months	<u>271</u>	<u>-</u>

23. OPERATING LEASE COMMITMENTS

At the period end, the Company had outstanding commitments for future minimum lease payments and other costs under non-cancellable operating leases, which fall due as follows:

As lessee

	30 September 2017 £000	30 September 2016 £000
Within one year	60	60
In two to five years	165	225
More than five years	-	-
	<u>225</u>	<u>285</u>

The lease commitments relate primarily to land and buildings. The leases have various terms and renewal rights.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

24. HIRE PURCHASE & FINANCE LEASE COMMITMENTS

At the period end, the Group had outstanding commitments for hire purchase and finance lease payments, which fall due as follows:

	30 September 2017 £000	30 September 2016 £000
Within one year	2,224	2,422
In two to five years	1,632	1,557
More than five years	-	-
	<u>3,856</u>	<u>3,979</u>

All lease obligations are denominated in sterling.

The fair value of the Group's lease obligations is approximately equal to their carrying amount.

The Group's obligations under finance leases are secured by the lessors' rights over the leased assets.

25. REPORTING CURRENCY

The financial statements are expressed in Pound sterling as the company primarily generate income and incur expenditure in Pound sterling.

26. RELATED PARTY TRANSACTIONS

During the period the Company rented a property in Caxton Road, Bedford from the Directors' pension scheme. Total rentals at the year end amounted to £60,000 (six months ended 30 September 2016: £30,000).

At the year end, Brian Meredith had an overdrawn Director's current account with the Company totalling £120,000 (six months ended 30 September 2016: £120,000). The loan is unsecured and interest free. The balance is repayable upon demand by the Company.

27. ULTIMATE CONTROLLING PARTY

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

The ultimate parent undertaking is New Blue Chip Limited. New Blue Chip Limited prepares the consolidated financial statements of the group which are available to the public from: New Blue Chip Limited, Franklin Court, Priory Business Park, Bedford, MK44 3JZ.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

28. FINANCIAL INSTRUMENTS BY CATEGORY

	30 September 2017				
	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
	£000	£000	£000	£000	£000
Assets as per balance sheet					
Trade and other receivables excluding pre- payments	14,097	–	–	–	14,097
Cash and cash equivalents	5,079	–	–	–	5,079
Total	19,986	–	–	–	19,986
		Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet					
Trade and other payables excluding non-financial liabilities		–	–	19,890	19,890
Total		–	–	19,890	19,890

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2017

30 September 2016					
	Loans and receivables	Assets at fair value through profit and loss	Derivatives used for hedging	Available-for-sale	Total
	£000	£000	£000	£000	£000
Assets as per balance sheet					
Trade and other receivables excluding pre- payments	18,388	–	–	–	18,388
Cash and cash equivalents	1,494	–	–	–	1,494
Total	19,882	–	–	–	19,882
		Liabilities at fair value through profit and loss	Derivatives used for hedging	Other financial liabilities at amortised cost	Total
Liabilities as per balance sheet					
Trade and other payables excluding non-financial liabilities		–	–	30,619	30,619
Total		–	–	30,619	30,619