

Company Registration No. 02823778 (England and Wales)

ZONES (UK) LTD
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



Jeffreys Henry LLP
Finsgate, 5-7 Cranwood Street
London
EC1V 9EE

ZONES (UK) LTD

COMPANY INFORMATION

| | |
|--------------------------|---|
| Directors | F Lalji A D Kaye R McFadden |
| Secretary | T Boyd |
| Company number | 02823778 |
| Registered office | Ground Floor 12-16 Westland Place London N1 7LP |
| Auditors | Jeffreys Henry LLP Finsgate 5 - 7 Cranwood Street London EC1V 9EE |

ZONES (UK) LTD

CONTENTS

| | Page |
|-----------------------------------|-------------|
| Strategic report | 1 |
| Directors' report | 2 - 3 |
| Independent auditor's report | 4 - 5 |
| Profit and loss account | 6 |
| Balance sheet | 7 |
| Statement of changes in equity | 8 |
| Statement of cash flows | 9 |
| Notes to the financial statements | 10 - 22 |

ZONES (UK) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present the strategic report and financial statements for the year ended 31 December 2015.

Fair review of the business

This year has seen continued growth in revenue as Zones continues to expand into global markets, especially throughout Europe. This growth in European business has caused the company to put in place tight controls to protect against changes in currency values, especially the Euro.

We work with currency brokers and our bankers to ensure that we do not suffer losses in our currency exposure, whilst remaining competitive when quoting clients. As sales to global clients increase, margins have reduced due to the competitive nature of this business, but we pride ourselves on providing excellent service and value for money. This has helped us continue to increase our sales to such clients throughout 2016.

We are aware that a post-Brexit marketplace will lead to more challenges, many of which cannot yet be foreseen. However we have VAT registrations in many EU countries, employees operating in Germany and Ireland, and are hiring now in the Netherlands. We are also evaluating the benefits of incorporating a separate business entity within the EU.

In addition to this, we have invested in our e-commerce capabilities and can sync our catalogue with those of several local distributors in many EU countries. We are confident that this helps us to be well-placed to manage any future challenges we face in a post-Brexit world.

During 2016 Alex Kaye agreed to sell his remaining shares to Zones (EMEA) Ltd, who will now become sole shareholder of the company. Alex Kaye remains as CEO but this share sale helps Zones UK to forge even stronger links with Zones Inc, a Seattle-based company.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key risks and uncertainties affecting the company are as follows:

- purchasing cycles of customers;
- more manufacturers going direct;
- industry consolidation and increased competition;
- loss of significant customers;
- decrease in gross margins due to increase in competition in the computer industry;
- decrease of rebates/incentives from key suppliers;
- rapid inventory obsolescence due to accelerating technological changes in the personal computer industry; or
- general economic conditions.

A decline in sales could adversely affect our business, financial condition, cash flows or results of operation.

Key performance indicators

The main KPIs in the year are as follows:

- Sales up by 29.2% to £38.0m (2014: £29.5m)
- Gross profit up by 20.4% to £5.0m (2014: £4.2m)

On behalf of the board



A D Kaye
Director

27 September 2016

ZONES (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015

The directors present their annual report and financial statements for the year ended 31 December 2015.

Principal activities

The principal activity of the company continued to be the trade of computer consumables, hardware and software.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

F Lalji
A D Kaye
R McFadden

Results and dividends

The results for the year are set out on page 6.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Financial instruments

Treasury operations and financial instruments

The company operates a treasury function which is responsible for managing the liquidity, interest and foreign currency risks associated with the company's activities.

The company's principal financial instruments include derivative financial instruments, the purpose of which is to manage currency risks and interest rate risks arising from the company's activities. In addition, the company has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from its operations. Derivative transactions which the company enters into principally comprise forward exchange contracts. In accordance with company's treasury policy, derivative instruments are not entered into for speculative purposes.

Auditors

In accordance with the company's articles, a resolution proposing that Jeffreys Henry LLP be reappointed as auditors of the company will be put at a General Meeting.

ZONES (UK) LTD

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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:

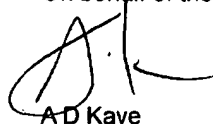
- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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.

Statement of disclosure to auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



A D Kaye
Director

27 September 2016

ZONES (UK) LTD

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ZONES (UK) LTD

We have audited the financial statements of Zones (UK) Ltd for the year ended 31 December 2015 which comprise the Profit And Loss Account, the Balance Sheet, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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.

Respective responsibilities of directors and auditors

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 Auditing Practices Board'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 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 Annual 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 company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion 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.

ZONES (UK) LTD

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF ZONES (UK) LTD

Matters on which we are required to report by exception

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

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



Sanjay Parmar (Senior Statutory Auditor)
for and on behalf of Jeffreys Henry LLP

27 September 2016

Chartered Accountants
Statutory Auditor

Finsgate
5 - 7 Cranwood Street
London
EC1V 9EE

ZONES (UK) LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 £ | 2014 £ |
|--|-------|------------------|------------------|
| Turnover | 3 | 38,046,379 | 29,454,590 |
| Cost of sales | | (33,031,104) | (25,290,486) |
| Gross profit | | 5,015,275 | 4,164,104 |
| Administrative expenses | | (5,399,687) | (4,331,763) |
| Operating loss | 4 | (384,412) | (167,659) |
| Interest payable and similar charges | 7 | (65,996) | (55,870) |
| Loss before taxation | | (450,408) | (223,529) |
| Taxation | 8 | 3,957 | (2,849) |
| Loss for the financial year | | (446,451) | (226,378) |
| Total comprehensive income for the year | | (446,451) | (226,378) |

The profit and loss account has been prepared on the basis that all operations are continuing operations.

ZONES (UK) LTD

BALANCE SHEET

AS AT 31 DECEMBER 2015

| | Notes | 2015 £ | £ | 2014 £ | £ |
|--|-------|-------------|-----------|-------------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 9 | | 223,614 | | 267,614 |
| Current assets | | | | | |
| Stocks | 11 | 912,167 | | 713,696 | |
| Debtors | 12 | 7,027,381 | | 7,136,390 | |
| Cash at bank and in hand | | 4,645 | | 4,340 | |
| | | 7,944,193 | | 7,854,426 | |
| Creditors: amounts falling due within one year | 13 | (6,643,531) | | (6,448,647) | |
| Net current assets | | | 1,300,662 | | 1,405,779 |
| Total assets less current liabilities | | | 1,524,276 | | 1,673,393 |
| Creditors: amounts falling due after more than one year | 14 | | (181,625) | | (380,334) |
| Provisions for liabilities | 16 | | (17,915) | | (21,872) |
| Net assets | | | 1,324,736 | | 1,271,187 |
| Capital and reserves | | | | | |
| Called up share capital | 18 | 866,666 | | 758,333 | |
| Share premium account | | 783,334 | | 391,667 | |
| Profit and loss reserves | | (325,264) | | 121,187 | |
| Total equity | | | 1,324,736 | | 1,271,187 |

The financial statements were approved by the board of directors and authorised for issue on 27 September 2016 and are signed on its behalf by:


A D Kaye
Director

Company Registration No. 02823778

ZONES (UK) LTD

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | Share capital £ | Share premium account £ | Profit and loss reserves £ | Total £ |
|--|-------|--------------------|----------------------------|-------------------------------|------------|
| Balance at 1 January 2014 | | 650,000 | - | 347,565 | 997,565 |
| Period ended 31 December 2014: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (226,378) | (226,378) |
| Issue of share capital | 18 | 108,333 | 391,667 | - | 500,000 |
| Balance at 31 December 2014 | | 758,333 | 391,667 | 121,187 | 1,271,187 |
| Period ended 31 December 2015: | | | | | |
| Loss and total comprehensive income for the year | | - | - | (446,451) | (446,451) |
| Issue of share capital | 18 | 108,333 | 391,667 | - | 500,000 |
| Balance at 31 December 2015 | | 866,666 | 783,334 | (325,264) | 1,324,736 |

ZONES (UK) LTD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2015

| | Notes | 2015 £ | £ | 2014 £ | £ |
|---|-------|--------------------|---|--------------------|---|
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 23 | (1,295,340) | | (2,427,461) | |
| Interest paid | | (65,996) | | (55,870) | |
| Net cash outflow from operating activities | | (1,361,336) | | (2,483,331) | |
| Investing activities | | | | | |
| Purchase of tangible fixed assets | | (112,386) | | (138,362) | |
| Proceeds on disposal of tangible fixed assets | | - | | 3,000 | |
| Net cash used in investing activities | | (112,386) | | (135,362) | |
| Financing activities | | | | | |
| Proceeds from issue of shares | | 500,000 | | 500,000 | |
| Increase in creditors due after more than one year | | 30,824 | | 380,334 | |
| Net cash generated from financing activities | | 530,824 | | 880,334 | |
| Net decrease in cash and cash equivalents | | (942,898) | | (1,738,359) | |
| Cash and cash equivalents at beginning of year | | (2,326,515) | | (588,156) | |
| Cash and cash equivalents at end of year | | (3,269,413) | | (2,326,515) | |
| Relating to: | | | | | |
| Cash at bank and in hand | | 4,645 | | 4,340 | |
| Bank overdrafts included in creditors payable within one year | | (3,274,058) | | (2,330,855) | |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

Company information

Zones (UK) Ltd is a company limited by shares incorporated in England and Wales. The registered office is Ground Floor, 12-16 Westland Place, London, N1 7LP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These financial statements for the year ended 31 December 2015 are the first financial statements of Zones (UK) Ltd prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 January 2014. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 24.

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue relating to the sale of goods whereby the buyer does not take immediate delivery of the goods is recognised when the buyer takes title of the goods providing; the delivery is probable, the goods are on hand and ready for delivery, the buyer acknowledges deferral of delivery and usual payment terms apply.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.4 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

| | |
|--------------------------------|------------------------|
| Computer equipment | 33% p.a. on cost |
| Fixtures, fittings & equipment | 20% - 30% p.a. on cost |
| Motor vehicles | 33% p.a. on cost |

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.5 Impairment of fixed assets

At each reporting end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Trade debtors, 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 is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end 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 have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including trade and other payables, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

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

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.9 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred 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 profit and loss account 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 reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

1 Accounting policies

(Continued)

1.11 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The main estimates consist of accruals for goods received not yet invoiced, other estimates for accrued expenditure, stock provisions and provisions for bad debts.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

| | 2015 £ | 2014 £ |
|-----------------|-------------------|-------------------|
| Turnover | | |
| Goods | 36,858,072 | 28,710,981 |
| Services | 1,188,307 | 743,609 |
| | <u>38,046,379</u> | <u>29,454,590</u> |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

3 Turnover and other revenue

(Continued)

Turnover analysed by geographical market

| | 2015 £ | 2014 £ |
|----------------|-------------------|-------------------|
| United Kingdom | 25,514,404 | 19,145,484 |
| European Union | 11,821,314 | 10,014,560 |
| Other | 710,661 | 294,546 |
| | <u>38,046,379</u> | <u>29,454,590</u> |

4 Operating loss

| | 2015 £ | 2014 £ |
|--|-------------------|-------------------|
| Operating loss for the year is stated after charging/(crediting): | | |
| Exchange losses/(gains) | (258,481) | 14,025 |
| Fees payable to the company's auditors for the audit of the company's financial statements | 18,000 | 20,000 |
| Depreciation of owned tangible fixed assets | 156,387 | 141,747 |
| (Loss)/profit on disposal of tangible fixed assets | - | (3,000) |
| Cost of stocks recognised as an expense | <u>33,289,585</u> | <u>25,276,461</u> |

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

| | 2015 Number | 2014 Number |
|----------------|----------------|----------------|
| Directors | 3 | 3 |
| Administration | 24 | 18 |
| Sales | 48 | 37 |
| Warehouse | 7 | 6 |
| | <u>82</u> | <u>64</u> |

Their aggregate remuneration comprised:

| | 2015 £ | 2014 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 4,037,077 | 3,161,934 |
| Social security costs | 428,623 | 337,392 |
| | <u>4,465,700</u> | <u>3,499,326</u> |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

6 Directors' remuneration

| | 2015 £ | 2014 £ |
|--------------------------------------|-----------|-----------|
| Remuneration for qualifying services | 41,865 | 37,500 |

7 Interest payable and similar charges

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| Interest on financial liabilities measured at amortised cost: | | |
| Interest on bank overdrafts and loans | 65,996 | 43,372 |
| Other interest | - | 12,498 |
| | 65,996 | 55,870 |

8 Taxation

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| Deferred tax | | |
| Origination and reversal of timing differences | (3,957) | 2,849 |

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

| | 2015 £ | 2014 £ |
|--|-----------|-----------|
| Loss before taxation | (450,408) | (223,529) |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2014: 20.00%) | (90,082) | (44,706) |
| Tax effect of expenses that are not deductible in determining taxable profit | 4,218 | 6,274 |
| Unutilised tax losses carried forward | 82,620 | 44,903 |
| Permanent capital allowances in excess of depreciation | 3,244 | (6,471) |
| Change in deferred tax provision | (3,957) | 2,849 |
| Tax expense for the year | (3,957) | 2,849 |

The company has estimated trading losses of £812,000 (2014: £399,000) available to carry forward against future trading profits.

A potential deferred tax asset arises on losses carried forward of £162,400 (2014: £79,800). This has not been provided as recoverability cannot be foreseen with reasonable certainty.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

9 Tangible fixed assets

| | Computer equipment | Fixtures, fittings & equipment | Motor vehicles | Total |
|------------------------------------|-----------------------|-----------------------------------|----------------|-----------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1 January 2015 | 654,149 | 291,265 | 19,370 | 964,784 |
| Additions | 101,274 | 11,112 | - | 112,386 |
| At 31 December 2015 | 755,423 | 302,377 | 19,370 | 1,077,170 |
| Depreciation and impairment | | | | |
| At 1 January 2015 | 507,299 | 170,500 | 19,370 | 697,169 |
| Depreciation charged in the year | 114,530 | 41,857 | - | 156,387 |
| At 31 December 2015 | 621,829 | 212,357 | 19,370 | 853,556 |
| Carrying amount | | | | |
| At 31 December 2015 | 133,594 | 90,020 | - | 223,614 |
| At 31 December 2014 | 146,850 | 120,764 | - | 267,614 |

10 Financial instruments

| | 2015 £ | 2014 £ |
|---|-----------|-----------|
| Carrying amount of financial assets | | |
| Debt instruments measured at amortised cost | 5,846,994 | 6,436,416 |
| Carrying amount of financial liabilities | | |
| Measured at amortised cost | 6,692,945 | 6,721,995 |

11 Stocks

| | 2015 £ | 2014 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 912,167 | 713,696 |

12 Debtors

| | 2015 £ | 2014 £ |
|---|-----------|-----------|
| Amounts falling due within one year: | | |
| Trade debtors | 5,757,119 | 6,342,480 |
| Other debtors | 1,117,478 | 751,629 |
| Prepayments and accrued income | 152,784 | 42,281 |
| | 7,027,381 | 7,136,390 |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

13 Creditors: amounts falling due within one year

| | Notes | 2015 £ | 2014 £ |
|------------------------------------|-------|------------------|------------------|
| Loans and overdrafts | 15 | 3,503,591 | 2,330,855 |
| Trade creditors | | 2,930,570 | 3,939,222 |
| Other taxation and social security | | 132,211 | 106,986 |
| Other creditors | | 25,727 | 53,930 |
| Accruals and deferred income | | 51,432 | 17,654 |
| | | <u>6,643,531</u> | <u>6,448,647</u> |

The bank loan and overdraft are secured by a fixed and floating charge over the company's assets.

14 Creditors: amounts falling due after more than one year

| | Notes | 2015 £ | 2014 £ |
|----------------------|-------|----------------|----------------|
| Loans and overdrafts | 15 | <u>181,625</u> | <u>380,334</u> |

15 Loans and overdrafts

| | 2015 £ | 2014 £ |
|-------------------------|------------------|------------------|
| Bank overdrafts | 3,274,058 | 2,330,855 |
| Directors' loans | 411,158 | 380,334 |
| | <u>3,685,216</u> | <u>2,711,189</u> |
| Payable within one year | 3,503,591 | 2,330,855 |
| Payable after one year | <u>181,625</u> | <u>380,334</u> |

The bank overdraft is secured by way of a fixed and floating charge over the company's assets.

16 Provisions for liabilities

| | | 2015 | 2014 |
|--------------------------|----|---------------|---------------|
| | | £ | £ |
| Deferred tax liabilities | 17 | 17,915 | 21,872 |
| | | <u>17,915</u> | <u>21,872</u> |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

17 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

| | Liabilities 2015 £ | Liabilities 2014 £ |
|--------------------------------|-----------------------------------|-----------------------------------|
| Balances: | | |
| Accelerated capital allowances | 17,915 | 21,872 |

There were no deferred tax movements in the year.

The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances that are expected to mature within the same period.

18 Share capital

| | 2015 £ | 2014 £ |
|--------------------------------------|-------------------|-------------------|
| Ordinary share capital | | |
| Issued and fully paid | | |
| 520,000 A Ordinary shares of £1 each | 520,000 | 455,000 |
| 346,666 B Ordinary shares of £1 each | 346,666 | 303,333 |
| | <u>866,666</u> | <u>758,333</u> |

On 23 February 2015 65,000 A Ordinary £1 and 43,333 B Ordinary £1 shares were issued for a combined consideration of £500,000.

Each Ordinary A and each Ordinary B share is entitled to one vote in any circumstances.

19 Operating lease commitments

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

| | 2015 £ | 2014 £ |
|----------------------------|-------------------|-------------------|
| Within one year | 105,170 | 142,155 |
| Between two and five years | 17,406 | 119,447 |
| | <u>122,576</u> | <u>261,602</u> |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

20 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

| | 2015 £ | 2014 £ |
|------------------------|-----------|-----------|
| Aggregate compensation | 443,865 | 379,115 |

Transactions with related parties

During the year the company entered into the following transactions with related parties:

| | Sale of goods | | Purchase of goods | |
|--|---------------|----------------|-------------------|----------------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Entities with control, joint control or significant influence over the company | 28,232 | 106,618 | 124,056 | 258,675 |
| | <u>28,232</u> | <u>106,618</u> | <u>124,056</u> | <u>258,675</u> |

| | Management fee income | | Other | |
|--|-----------------------|----------------|-----------|-----------|
| | 2015 £ | 2014 £ | 2015 £ | 2014 £ |
| Entities with control, joint control or significant influence over the company | 300,000 | 300,000 | - | - |
| | <u>300,000</u> | <u>300,000</u> | <u>-</u> | <u>-</u> |

The following amounts were outstanding at the reporting end date:

| | Amounts owed to related parties | |
|--|---------------------------------|---------------|
| | 2015 £ | 2014 £ |
| Entities with control, joint control or significant influence over the company | 23,434 | 49,670 |
| | <u>23,434</u> | <u>49,670</u> |

No guarantees have been given or received.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2015

21 Directors' transactions

| Description | % Rate | Opening Balance £ | Amounts Advanced £ | Interest Charged £ | Amounts Repaid £ | Closing Balance £ |
|------------------------------|-----------|-------------------------|--------------------------|--------------------------|------------------------|-------------------------|
| A D Kaye - directors loan | - | 380,334 | 30,824 | - | - | 411,158 |
| | | <u>380,334</u> | <u>30,824</u> | <u>-</u> | <u>-</u> | <u>411,158</u> |

The loan is unsecured and repayable in instalments by 31 March 2018. Interest was charged on the loan until 31 March 2014 at 10% and subsequently become interest free. Subsequent to the balance sheet date the loan will bear interest at 6% per annum.

22 Controlling party

The immediate parent undertaking is Zones (EMEA) Limited, a company incorporated in the UK.

The ultimate controlling party is F Lalji (Director).

23 Cash generated from operations

| | 2015 £ | 2014 £ |
|--|--------------------|--------------------|
| Loss for the year | (446,451) | (226,378) |
| Adjustments for: | | |
| Income tax expense | (3,957) | 2,849 |
| Finance costs | 65,996 | 55,870 |
| Gain on disposal of tangible fixed assets | - | (3,000) |
| Depreciation and impairment of tangible fixed assets | 156,387 | 141,747 |
| Movements in working capital: | | |
| (Increase) in stocks | (198,472) | (429,001) |
| Decrease/(increase) in debtors | 109,009 | (3,640,105) |
| (Decrease)/increase in creditors | (977,852) | 1,670,557 |
| Cash absorbed by operations | <u>(1,295,340)</u> | <u>(2,427,461)</u> |

24 Reconciliations on adoption of FRS 102

Reconciliation of equity

| | 1 January 2014 £ | 31 December 2014 £ |
|---|------------------------|--------------------------|
| Equity as reported under previous UK GAAP and under FRS 102 | <u>997,565</u> | <u>1,271,187</u> |

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2015**

24 Reconciliations on adoption of FRS 102

(Continued)

Reconciliation of profit or loss

2014
£

Profit or loss as reported under previous UK GAAP and under
FRS 102

(226,378)

Notes to reconciliations on adoption of FRS 102

In transition to FRS 102 there were no transactions or balances which required restatement.