

Company Registration No 02823778 (England and Wales)

ZONES (UK) LTD
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014



Jeffreys Henry LLP

**Finsgate
5-7 Cranwood Street
London
EC1V 9EE**

ZONES (UK) LTD

CONTENTS

	Page
Strategic report	1
Directors' report	2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 17

ZONES (UK) LTD

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present the strategic report and financial statements for the year ended 31 December 2014

Review of the business

The year has seen continued growth of the company

The company achieved back to back record sales in the months of November and December

Substantial investments have continued in both the sales graduate recruitment programme, in addition to the services practice to enhance the portfolio of services provided

Development of a fully automated e-procurement system was undertaken to service the domestic market with a view to launch in Q2 2015

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

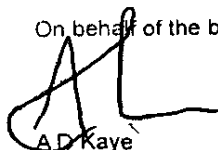
A decline in sales could adversely affect our business, financial condition, cash flows or results of operation

Key performance indicators

The main KPIs in the year are as follows

- Sales up by 24.5% to £29.5m (2013: £23.7m)
- Gross profit up by 13.5% to £4.2m (2013: £3.7m)

On behalf of the board



A.D. Kaye
Director

11 September 2015

ZONES (UK) LTD

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2014

The directors present their report and financial statements for the year ended 31 December 2014

Results and dividends

The results for the year are set out on page 5

Directors

The following directors have held office since 1 January 2014

F Lalji
A D Kaye
R McFadden

Auditors

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

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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

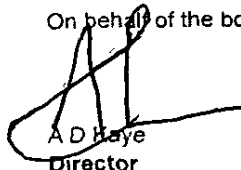
- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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 the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors 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

11 September 2015

ZONES (UK) LTD

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ZONES (UK) LTD

We have audited the financial statements of Zones (UK) Ltd for the year ended 31 December 2014 set out on pages 5 to 17. 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 2, 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 2014 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ZONES (UK) LTD

INDEPENDENT AUDITORS' 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**

11 September 2015

**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 2014

	Notes	2014 £	2013 £
Turnover	2	29,454,590	23,656,303
Cost of sales		(25,290,486)	(19,988,963)
Gross profit		4,164,104	3,667,340
Administrative expenses		(4,331,763)	(3,691,671)
Operating loss	3	(167,659)	(24,331)
Interest payable and similar charges	4	(55,870)	(91,050)
Loss on ordinary activities before taxation		(223,529)	(115,381)
Tax on loss on ordinary activities	5	(2,849)	(8,188)
Loss for the year	13	(226,378)	(123,569)

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

There are no recognised gains and losses other than those passing through the profit and loss account

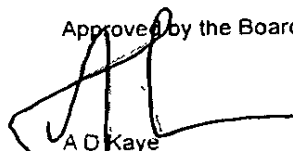
ZONES (UK) LTD

BALANCE SHEET

AS AT 31 DECEMBER 2014

	Notes	2014 £	£	2013 £	£
Fixed assets					
Tangible assets	6		267,614		270,999
Current assets					
Stocks	7	713,696		284,695	
Debtors	8	7,136,390		3,496,285	
Cash at bank and in hand		4,340		819,398	
		<u>7,854,426</u>		<u>4,600,378</u>	
Creditors' amounts falling due within one year	9	<u>(6,448,647)</u>		<u>(3,854,789)</u>	
Net current assets			<u>1,405,779</u>		<u>745,589</u>
Total assets less current liabilities			<u>1,673,393</u>		<u>1,016,588</u>
Creditors' amounts falling due after more than one year	10		(380,334)		-
Provisions for liabilities	11		(21,872)		(19,023)
			<u>1,271,187</u>		<u>997,565</u>
Capital and reserves					
Called up share capital	12		758,333		650,000
Share premium account	13		391,667		-
Profit and loss account	13		121,187		347,565
Shareholders' funds	14		<u>1,271,187</u>		<u>997,565</u>

Approved by the Board and authorised for issue on 11 September 2015


A D Kaye
Director

Company Registration No. 02823778

ZONES (UK) LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

	£	2014 £	£	2013 £
Net cash (outflow)/inflow from operating activities		(2,047,127)		305,306
Returns on investments and servicing of finance				
Interest paid	(55,870)		(91,050)	
Net cash outflow for returns on investments and servicing of finance		(55,870)		(91,050)
Capital expenditure				
Payments to acquire tangible assets	(138,362)		(124,693)	
Receipts from sales of tangible assets	3,000		1,500	
Net cash outflow for capital expenditure		(135,362)		(123,193)
Net cash (outflow)/inflow before management of liquid resources and financing		(2,238,359)		91,063
Financing				
Issue of ordinary share capital	500,000		-	
Net cash inflow/(outflow) from financing		500,000		-
(Decrease)/increase in cash in the year		(1,738,359)		91,063

ZONES (UK) LTD

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2014

1 Reconciliation of operating loss to net cash inflow/(outflow) from operating activities		2014	2013
		£	£
Operating loss		(167,659)	(24,331)
Depreciation of tangible assets		141,747	108,294
Profit on disposal of tangible assets		(3,000)	(1,500)
(Increase)/decrease in stocks		(429,001)	60,184
(Increase)/decrease in debtors		(3,640,105)	74,366
Increase in creditors within one year		1,670,557	88,293
Net cash (outflow)/inflow from operating activities		(2,427,461)	305,306

2 Analysis of net debt	1 January 2014	Cash flow	Other non-cash changes	31 December 2014
	£	£	£	£
Net cash				
Cash at bank and in hand	819,398	(815,058)	-	4,340
Bank overdrafts	(1,407,554)	(923,301)	-	(2,330,855)
	<u>(588,156)</u>	<u>(1,738,359)</u>	<u>-</u>	<u>(2,326,515)</u>
Bank deposits	-	-	-	-
Debt				
Debts falling due after one year	-	(380,334)	-	(380,334)
Net debt	(588,156)	(2,118,693)	-	(2,706,849)

3 Reconciliation of net cash flow to movement in net debt	2014	2013
	£	£
(Decrease)/increase in cash in the year	(1,738,359)	91,063
Cash inflow from increase in debt	(380,334)	-
Movement in net debt in the year	(2,118,693)	91,063
Opening net debt	(588,156)	(679,219)
Closing net debt	(2,706,849)	(588,156)

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows

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

1.5 Stock

Stock is valued at the lower of cost and net realisable value

1.6 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

2 Turnover

The total turnover of the company for the year has been derived from its principal activity, undertaken as follows

Geographical market

	Turnover 2014 %	2013 %
United Kingdom	65	71
European Union	34	28
Other	1	1
	<u>100</u>	<u>100</u>

3 Operating loss

	2014 £	2013 £
Operating loss is stated after charging		
Depreciation of tangible assets	141,747	108,294
Loss on foreign exchange transactions	14,025	-
Auditors' remuneration (including expenses and benefits in kind)	20,000	19,500
and after crediting		
Profit on disposal of tangible assets	(3,000)	(1,500)
Profit on foreign exchange transactions	-	(10,500)
	<u></u>	<u></u>

4 Interest payable

	2014 £	2013 £
On bank loans and overdrafts	43,372	43,373
Other interest	12,498	47,677
	<u>55,870</u>	<u>91,050</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

5	Taxation	2014 £	2013 £
	Total current tax	-	-
	Deferred tax		
	Origination and reversal of timing differences	2,849	8,188
		<u>2,849</u>	<u>8,188</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(223,529)	(115,381)
		<u>(223,529)</u>	<u>(115,381)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2013 - 20.00%)	(44,706)	(23,076)
		<u>(44,706)</u>	<u>(23,076)</u>
	Effects of		
	Non deductible expenses	6,274	1,958
	Depreciation add back	28,378	21,659
	Capital allowances	(34,849)	(33,822)
	Tax losses utilised	44,903	33,281
		<u>44,706</u>	<u>23,076</u>
	Current tax charge for the year	-	-
		<u>-</u>	<u>-</u>

The company has estimated losses of £ 399,222 (2013 - £ 171,700) available for carry forward against future trading profits

A potential deferred tax asset arises on losses carried forward of £79,844 (2013 - £34,340). 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 2014

6 Tangible fixed assets

	Computer equipment	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 January 2014	562,910	244,142	40,370	847,422
Additions	91,239	47,123	-	138,362
Disposals	-	-	(21,000)	(21,000)
At 31 December 2014	654,149	291,265	19,370	964,784
Depreciation				
At 1 January 2014	409,187	133,323	33,913	576,423
On disposals	-	-	(21,000)	(21,000)
Charge for the year	98,112	37,178	6,457	141,747
At 31 December 2014	507,299	170,501	19,370	697,170
Net book value				
At 31 December 2014	146,850	120,764	-	267,614
At 31 December 2013	153,723	110,819	6,457	270,999

7 Stocks

	2014 £	2013 £
Finished goods and goods for resale	713,696	284,695

8 Debtors

	2014 £	2013 £
Trade debtors	6,342,480	3,295,019
Other debtors	751,629	155,756
Prepayments and accrued income	42,281	45,510
	7,136,390	3,496,285

The majority of the debtors have been invoice discounted

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2014

9	Creditors amounts falling due within one year	2014 £	2013 £
	Bank loans and overdrafts	2,330,855	1,407,554
	Trade creditors	3,939,222	1,725,263
	Taxes and social security costs	106,986	90,406
	Directors' current accounts	-	490,837
	Other creditors	53,930	21,319
	Accruals and deferred income	17,654	119,410
		<u>6,448,647</u>	<u>3,854,789</u>

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

10	Creditors amounts falling due after more than one year	2014 £	2013 £
	Directors' Current Account	380,334	-
		<u>380,334</u>	<u>-</u>

11	Provisions for liabilities	Deferred tax liability £
	Balance at 1 January 2014	19,023
	Profit and loss account	2,849
	Balance at 31 December 2014	<u>21,872</u>

The deferred tax liability is made up as follows.

	2014 £	2013 £
Accelerated capital allowances	<u>21,872</u>	<u>19,023</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

12	Share capital	2014 £	2013 £
	Allotted, called up and fully paid		
	455,000 A Ordinary shares of £1 each	455,000	390,000
	303,333 B Ordinary shares of £1 each	303,333	260,000
		<u>758,333</u>	<u>650,000</u>

On the 26th June 2014 65,000 A Ordinary £1 shares were allotted and fully paid with a premium of £3 62 per share. On the same date 43,333 B Ordinary shares were allotted and fully paid also with a premium of £3 62 per share.

13	Statement of movements on reserves	Share premium account £	Profit and loss account £
	Balance at 1 January 2014	-	347,565
	Loss for the year	-	(226,378)
	Premium on shares issued during the year	391,667	-
	Balance at 31 December 2014	<u>391,667</u>	<u>121,187</u>

14	Reconciliation of movements in Shareholders' funds	2014 £	2013 £
	Loss for the financial year	(226,378)	(123,569)
	Proceeds from issue of shares	500,000	-
	Net addition to/(depletion in) shareholders' funds	<u>273,622</u>	<u>(123,569)</u>
	Opening Shareholders' funds	997,565	1,121,134
	Closing Shareholders' funds	<u>1,271,187</u>	<u>997,565</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2014

15 Financial commitments

At 31 December 2014 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2015

	Land and buildings	
	2014	2013
	£	£
Operating leases which expire		
Between two and five years	139,026	55,478
In over five years	-	83,548
	<u>139,026</u>	<u>139,026</u>

16 Directors' remuneration

	2014	2013
	£	£
Remuneration for qualifying services	<u>37,500</u>	<u>180,000</u>

17 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2014	2013
	Number	Number
Directors	3	3
Administration	18	23
Sales	37	30
Warehouse	6	6
	<u>64</u>	<u>62</u>

Employment costs

	2014	2013
	£	£
Wages and salaries	3,161,934	2,653,640
Social security costs	<u>337,392</u>	<u>282,594</u>
	<u>3,499,326</u>	<u>2,936,234</u>

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2014**

18 Transactions with directors

Included within other loans as at the year end is a loan of £380,334 (2013 £490,837) due to A D Kaye, a director of the company, which is unsecured, interest free and repayable by 31 December 2020

19 Control

The immediate parent undertaking is Zones (EMEA) Limited, a company incorporated in the UK. The ultimate controlling party is F Lalji.

20 Post balance sheet events

On the 23rd February 2015 a further 65,000 A Ordinary £1 shares were allotted and fully paid with a premium of £3.62 per share. On the same date a further 43,333 B Ordinary shares were allotted and fully paid also with a premium of £3.62 per share.

ZONES (UK) LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2014**

21 Related party relationships and transactions

As at 31 December 2014 £38,703 (2013 £96,080 debtor) was owed to Zones Inc (a company in which F Lalji is a director), in respect of a combination of sales and purchase transactions. An accrual of £10,967 (2013 £23,420) was also made within creditors in respect of goods received but not yet invoiced by Zones Inc. The total amount of sales transactions with Zones Inc in the year totalled £106,618 (2013 £481,675) and the amount of purchase transactions with Zones Inc in the year totalled £258,675 (2013 £173,290). Furthermore the company received management fees from Zones Inc to the value of £300,000 (2013 £588,000).