

Strategic Report, Report of the Directors and
Financial Statements for the Year Ended 31 December 2014
for
Smartcomm Limited

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for the Year Ended 31 December 2014

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Smartcomm Limited

Company Information
for the Year Ended 31 December 2014

DIRECTORS:

S Worrell
AJ Steam
A Godfrey
Mrs H C Keats

SECRETARY:

M Calder

REGISTERED OFFICE:

4 Claridge Court
Lower Kings Road
Berkhamsted
Hertfordshire
HP4 2AF

REGISTERED NUMBER:

03800523 (England and Wales)

AUDITORS:

Rickaby LLP
Chartered Certified Accountants and
Statutory Auditors
4 Claridge Court
Lower Kings Road
Berkhamsted
Hertfordshire
HP4 2AF

Strategic Report
for the Year Ended 31 December 2014

The company is a specialist designer and installer of audio visual and IT systems in both commercial and residential properties.

REVIEW OF BUSINESS

The results of the company are set out on page 5 and show a profit on ordinary activities before tax of £305,903 (2013: £313,682 loss). The shareholders' funds of the Company total £452,255 (2013: £200,888).

The financial statements for 2014 show a return to profitability in the year following the contractual dispute suffered in 2013. The Company has a strong pipeline of business which supports the continued growth forecast for the future years.

STRATEGY

Following the year end the Company has divisionalised the business into Commercial, Residential and Service divisions. This is to facilitate the future growth plans by optimising skill sets and experience into each of the three sectors. Each division now runs its own profit and loss account against margin driven targets. This model is key to the future success of the business and is already providing expecting results.

PRINCIPAL RISKS AND UNCERTAINTIES

The business has a strong sales pipeline for the coming years and a significant amount of long term contract work has already been secured. The Company expects to report increased turnover in the next period of trading with margins similar to or improved on the current year.

DEVELOPMENT AND PERFORMANCE

In 2013 the business suffered from a contractual dispute with a major building services contractor and as a result did not get fully reimbursed for works done. This along with increased competitive pressure on margins led to a loss in the 2013 financial year. In 2014 management focus has been on improving margins on project delivery and strengthening the internal management infrastructure to facilitate continued growth in the future, both in terms of turnover and profitability.

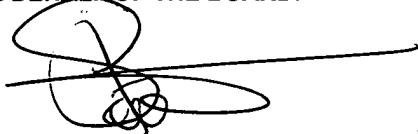
KEY TRADING PERFORMANCE FACTORS

- Revenue increased 32% from 2013 to 2014
- Income from project delivery increased by £2.9m, almost 35%, in the year
- Service contract sales remained at circa £1m per annum
- Operating profit increased by £636k, from (£208k) loss reported in 2013 to £428k profit in 2014

THE FUTURE

The Company is forecasting sustainable sales growth across all divisions within the business and intends to continue the policy of investing profits to finance future growth. As well as the expansion of project and service sales the Company is exploring opportunities with certain suppliers for exclusive distributor rights in the UK, this should both give access to new markets and protect the business from the competitive pressures of budget range solutions in the future.

ON BEHALF OF THE BOARD:



S Worrell - Director

11 June 2015

Report of the Directors
for the Year Ended 31 December 2014

The directors present their report with the financial statements of the company for the year ended 31 December 2014.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2014.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2014 to the date of this report.

S Worrell
AJ Steam

Other changes in directors holding office are as follows:

A Godfrey - appointed 1 January 2014

Mrs H C Keats was appointed as a director after 31 December 2014 but prior to the date of this report.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Rickaby LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:



S Worrell - Director

11 June 2015

**Report of the Independent Auditors to the Members of
Smartcomm Limited**

We have audited the financial statements of Smartcomm Limited for the year ended 31 December 2014 on pages five to thirteen. 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 a Report of the Auditors 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 Statement of Directors' Responsibilities set out on page three, 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 Strategic Report and the Report of the Directors 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

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.



Shaun Brownsmith ACA, ACCA (Senior Statutory Auditor)
for and on behalf of Rickaby LLP
Chartered Certified Accountants and
Statutory Auditors
4 Claridge Court
Lower Kings Road
Berkhamsted
Hertfordshire
HP4 2AF

Date: 18/6/15

Profit and Loss Account
for the Year Ended 31 December 2014

	Notes	31.12.14 £	31.12.13 £
TURNOVER		11,914,489	8,983,313
Cost of sales		9,420,917	7,365,501
GROSS PROFIT		2,493,572	1,617,812
Administrative expenses		2,065,085	1,825,941
OPERATING PROFIT/(LOSS)	3	428,487	(208,129)
Interest receivable and similar income		3,236	2,686
		431,723	(205,443)
Interest payable and similar charges	4	125,820	108,239
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		305,903	(313,682)
Tax on profit/(loss) on ordinary activities	5	54,536	(15,342)
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		251,367	(298,340)

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profit for the current year and the loss for the previous year.

Balance Sheet
31 December 2014

	Notes	31.12.14 £	£	31.12.13 £	£
FIXED ASSETS					
Tangible assets	6		135,055		52,850
CURRENT ASSETS					
Stocks	7	236,093		227,290	
Debtors	8	4,276,347		3,452,750	
Cash at bank and in hand		112,420		10,009	
		4,624,860		3,690,049	
CREDITORS					
Amounts falling due within one year	9	4,025,472		3,339,418	
NET CURRENT ASSETS			599,388		350,631
TOTAL ASSETS LESS CURRENT LIABILITIES			734,443		403,481
CREDITORS					
Amounts falling due after more than one year	10		(261,842)		(197,002)
PROVISIONS FOR LIABILITIES	14		(20,346)		(5,591)
NET ASSETS			452,255		200,888
CAPITAL AND RESERVES					
Called up share capital	15		1,000		1,000
Share premium	16		149,000		149,000
Profit and loss account	16		302,255		50,888
SHAREHOLDERS' FUNDS	19		452,255		200,888

The financial statements were approved by the Board of Directors on 11 June 2015 and were signed on its behalf by:



S Worrell - Director

Cash Flow Statement
for the Year Ended 31 December 2014

	Notes	31.12.14 £	£	31.12.13 £	£
Net cash inflow from operating activities	1		312,347		37,715
Returns on investments and servicing of finance	2		(122,584)		(105,553)
Taxation			(15,343)		-
Capital expenditure	2		(142,653)		(35,331)
			31,767		(103,169)
Financing	2		70,644		(42,507)
Increase/(decrease) in cash in the period			102,411		(145,676)

Reconciliation of net cash flow to movement in net debt

	3		
Increase/(decrease) in cash in the period		102,411	(145,676)
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		(80,644)	2,507
Change in net debt resulting from cash flows		21,767	(143,169)
Movement in net debt in the period		21,767	(143,169)
Net debt at 1 January		(189,500)	(46,331)
Net debt at 31 December		(167,733)	(189,500)

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2014**

1. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	31.12.14 £	31.12.13 £
Operating profit/(loss)	428,487	(208,129)
Depreciation charges	60,448	54,062
Increase in stocks	(8,803)	(105,172)
Increase in debtors	(823,597)	(682,361)
Increase in creditors	655,812	979,315
Net cash inflow from operating activities	312,347	37,715

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	31.12.14 £	31.12.13 £
Returns on investments and servicing of finance		
Interest received	3,236	2,686
Interest paid	(124,775)	(108,239)
Interest element of hire purchase payments	(1,045)	-
Net cash outflow for returns on investments and servicing of finance	(122,584)	(105,553)
Capital expenditure		
Purchase of tangible fixed assets	(142,653)	(35,331)
Net cash outflow for capital expenditure	(142,653)	(35,331)
Financing		
Capital repayments in year	80,644	(2,507)
Amount withdrawn by directors	(10,000)	(40,000)
Net cash inflow/(outflow) from financing	70,644	(42,507)

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.14 £	Cash flow £	At 31.12.14 £
Net cash:			
Cash at bank and in hand	10,009	102,411	112,420
	<u>10,009</u>	<u>102,411</u>	<u>112,420</u>
Debt:			
Hire purchase	(3,134)	(80,644)	(83,778)
Debts falling due after one year	(196,375)	-	(196,375)
	<u>(199,509)</u>	<u>(80,644)</u>	<u>(280,153)</u>
Total	(189,500)	21,767	(167,733)

**Notes to the Financial Statements
for the Year Ended 31 December 2014**

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Improvements to leasehold	- 50% on cost
Plant and machinery	- 50% on cost and 33% on cost
Fixtures and fittings	- 50% on cost and 33% on cost

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

2. STAFF COSTS

	31.12.14 £	31.12.13 £
Wages and salaries	1,975,556	1,618,073
Social security costs	243,615	183,911
	<u>2,219,171</u>	<u>1,801,984</u>

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

	31.12.14	31.12.13
Direct costs	28	25
Administrative	18	16
Directors	2	2
	<u>48</u>	<u>43</u>

3. OPERATING PROFIT/(LOSS)

The operating profit (2013 - operating loss) is stated after charging:

	31.12.14 £	31.12.13 £
Depreciation - owned assets	42,167	50,300
Depreciation - assets on hire purchase contracts	18,281	2,507
Auditors remuneration	10,000	8,750
	<u>70,448</u>	<u>61,557</u>
Directors' remuneration	<u>348,780</u>	<u>212,030</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2014**

3. OPERATING PROFIT/(LOSS) - continued

Information regarding the highest paid director is as follows:

	31.12.14	31.12.13
	£	£
Emoluments etc	123,000	113,000

4. INTEREST PAYABLE AND SIMILAR CHARGES

	31.12.14	31.12.13
	£	£
Other loan interest	124,775	108,239
Hire purchase	1,045	-
	125,820	108,239

5. TAXATION

Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

	31.12.14	31.12.13
	£	£
Current tax:		
UK corporation tax	24,475	-
Tax prior year	15,306	(15,342)
Total current tax	39,781	(15,342)
Deferred tax	14,755	-
Tax on profit/(loss) on ordinary activities	54,536	(15,342)

6. TANGIBLE FIXED ASSETS

	Improvements to leasehold £	Plant and machinery £	Fixtures and fittings £	Totals £
COST				
At 1 January 2014	28,584	154,596	193,740	376,920
Additions	-	127,433	15,220	142,653
At 31 December 2014	28,584	282,029	208,960	519,573
DEPRECIATION				
At 1 January 2014	28,584	130,450	165,036	324,070
Charge for year	-	45,783	14,665	60,448
At 31 December 2014	28,584	176,233	179,701	384,518
NET BOOK VALUE				
At 31 December 2014	-	105,796	29,259	135,055
At 31 December 2013	-	24,146	28,704	52,850

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

6. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Plant and machinery £
COST	
At 1 January 2014	7,522
Additions	99,303
At 31 December 2014	106,825
DEPRECIATION	
At 1 January 2014	3,761
Charge for year	18,281
At 31 December 2014	22,042
NET BOOK VALUE	
At 31 December 2014	84,783
At 31 December 2013	3,761

7. STOCKS

	31.12.14 £	31.12.13 £
Stocks	236,093	227,290

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.14 £	31.12.13 £
Trade debtors	2,947,173	2,193,484
Other debtors	150,077	129,475
Prepayments and accrued income	1,179,097	1,129,791
	4,276,347	3,452,750

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.12.14 £	31.12.13 £
Hire purchase contracts (see note 12)	18,311	2,507
Trade creditors	2,698,019	2,174,155
Tax	24,606	168
Social security and other taxes	68,201	57,333
VAT	220,947	270,975
Directors' current accounts	123,625	133,625
Accruals and deferred income	871,763	700,655
	4,025,472	3,339,418

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.12.14 £	31.12.13 £
Other loans (see note 11)	196,375	196,375
Hire purchase contracts (see note 12)	65,467	627
	261,842	197,002

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

Other long term creditors and loans bear interest at 12% per annum and have no fixed repayment terms.

Notes to the Financial Statements - continued
for the Year Ended 31 December 2014

11. LOANS

An analysis of the maturity of loans is given below:

	31.12.14 £	31.12.13 £
Amounts falling due between two and five years:		
Other loans	196,375	196,375

12. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts	
	31.12.14 £	31.12.13 £
Net obligations repayable:		
Within one year	18,311	2,507
Between one and five years	65,467	627
	83,778	3,134

The following operating lease payments are committed to be paid within one year:

	Land and buildings	
	31.12.14 £	31.12.13 £
Expiring:		
Between one and five years	64,500	-

13. SECURED DEBTS

The bank loan is secured by a debenture from the company and by personal guarantees of the directors and certain related parties.

14. PROVISIONS FOR LIABILITIES

	31.12.14 £	31.12.13 £
Deferred tax	20,346	5,591
		Deferred tax
		£
Balance at 1 January 2014		5,591
Accelerated capital allowances		14,755
Balance at 31 December 2014		20,346

15. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			31.12.14	31.12.13
Number:	Class:	Nominal value:	£	£
1,000	Ordinary	£1	1,000	1,000

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2014**

16. RESERVES

	Profit and loss account £	Share premium £	Totals £
At 1 January 2014	50,888	149,000	199,888
Profit for the year	251,367		251,367
At 31 December 2014	302,255	149,000	451,255

17. RELATED PARTY DISCLOSURES

S Worrell had a loan of £117,625 (2013: £127,625) upon which interest payable is 12% outstanding at the year end. S Worrell has provided the company's bankers with a letter of guarantee for £225,000 for which he received a fee of £27,000 (2013 £27,000).

Mrs P F Worrell, a shareholder of the company, has loaned the company £35,300. All of this amount was outstanding at the year end.

A Stearn, a shareholder of the company, loaned the company £6,000 upon which interest payable is 12%. At the year end, the company owed A Stearn £6,000 (2013: £6,000) of the loan. A Stearn has provided the company's bankers with a letter of guarantee for £50,000, for which he received a fee of £6,000 (2013: £6,000).

M Allen, a shareholder of the company, loaned the company £6,000 upon which interest payable is 12%. At the year end, the company owed M Allen £6,000 (2013: £6,000) of the loan. M Allen has provided the company's bankers with a letter of guarantee for £50,000, for which he received a fee of £6,000 (2013: £6,000).

Worrell Electrical Services Limited, a company who's sole director and a shareholder - Mr J Worrell, is the father of a Director, made supplies to the company totalling £249,600 (2013: £172,343). At the year end there was no balance due.

Britania Limited is controlled by R J Kendrick, who is a shareholder. Britania had a loan of £155,075 outstanding at the year end upon which interest is payable at 12%. Britania Limited supplied goods and services to the value of £121,400 (2013 - £189,422) to Smartcomm Limited. At the year end, the company owed Britania Limited £303,911 (2013 - £233,231). R Kendrick has provided the company's bankers with a letter of guarantee for £175,000, for which he received a fee of £26,250 (2013: £26,250).

18. ULTIMATE CONTROLLING PARTY

The company is controlled by the directors.

19. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	31.12.14 £	31.12.13 £
Profit/(loss) for the financial year	251,367	(298,340)
Net addition/(reduction) to shareholders' funds	251,367	(298,340)
Opening shareholders' funds	200,888	499,228
Closing shareholders' funds	452,255	200,888