

Financial Statements

Octium Limited

For the year ended 31 March 2014

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COMPANIES HOUSE

Registered number: 05201852

Octium Limited

Company Information

Directors

Wayne Churchill
Michael Mulford
Mark Thompson

Registered number

05201852

Registered office

St James House
Oldbury
Bracknell
Berkshire
RG12 8TH

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
1020 Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5TS

Solicitors

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Ninth Floor
Ten Bishops Square
London
E1 6EG

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Directors' Report

For the year ended 31 March 2014

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

Directors' responsibilities statement

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

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

Octium Limited is a holding company.

It forms part of the Easynet Group, the UK's largest independent provider of managed network and hosting services. This independence facilitates its exceptional service and commitment to innovation which in turn enables it to provide the best possible range of services to customers.

Results and dividends

The profit for the year, after taxation, amounted to £NIL (2013 - loss £32,000).

The directors do not recommend the payment of a dividend (2013: £nil).

Directors

The directors who served during the year were:

Wayne Churchill
Michael Mulford
Mark Thompson

Directors' Report

For the year ended 31 March 2014

Matters covered in the Strategic report

Information on financial risks, past developments and future developments has been included in the Strategic Report.

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.

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Directors' indemnities

The Group has made qualifying third party indemnity provisions for the benefit of its directors, which remain in force at the date of this report.

This report was approved by the board on 12/12/14

and signed on its behalf.



Mark Thompson
Director

Strategic Report

For the year ended 31 March 2014

Introduction

The Easynet Group, of which the MDNX Group is a part, is the UK's largest independent provider of managed network and hosting services. This independence facilitates its exceptional service and commitment to innovation which in turn enables it to provide the best possible range of services to customers.

Octium Limited is an integrated part of MDNX Group Limited and references to the Group in the strategic report are relevant as it is part of the MDNX Group as a whole.

Principal risks and uncertainties

The management of the business and the execution of the Group's strategy are subject to a number of risks and uncertainties. Risks are formally reviewed by the board and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Group are set out below.

Competition

The Group operates in a competitive market, particularly with regard to price, product availability and service quality, and there is a risk that the Group may not meet its customers' expectations in these areas.

In order to mitigate this risk, market prices are monitored on an ongoing basis and regular discussions are held with customer to understand their expectations and whether the Group is successfully meeting these expectations. Service quality is monitored by the directors regularly to ensure the Group has plans in place to continue to provide differentiated value in this important area.

Employees

The Group's performance depends largely on the experience and commitment of its staff. The loss of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Group's results.

To mitigate these risks the Group has implemented a number of schemes directly linked to the Group's results that are designed to retain and incentivise key individuals.

The Group adopts a strict recruitment process to ensure the correct people with the right expertise are recruited to increase competitive advantage.

Financial risk management

The directors have considered the disclosure requirements of FRS 25 "Financial Instruments: Disclosure and Presentation". The Group's operations expose it to a variety of financial risks that include the effects of credit risk, interest rate risk, foreign currency exchange risk and liquidity risk.

Credit risk

The Group has implemented policies that require appropriate credit checks on all potential customers and has set out credit limits for all major customers.

Strategic Report (continued)

For the year ended 31 March 2014

Interest rate risk

The Group is exposed to interest rate risk on its bank loans.

Foreign currency exchange risk

The Group's activities currently do not significantly expose it to the financial risks of changes in foreign currency exchange rates.

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to meet its financial liabilities as they fall due. The Group's strategy to managing liquidity risk is to ensure that the Group has sufficient funds to meet all its potential liabilities as they fall due. This is true not only of normal market conditions but also of negative projections against expected outcomes.

Liquidity forecasts are monitored on a daily basis, to ensure the utilisation of current facilities is optimised, on a monthly basis, to ensure that covenant compliance targets and medium-term liquidity is maintained, and on a long-term projection basis, for the purpose of identifying long-term strategic requirements. The directors also continually assess the balance of capital and debt funding of the Group.

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, indicate that the Group will be able to operate within its finance facilities and maintain adequate headroom against all bank covenants.

In the directors' view, the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Group continues to adopt the going concern basis in preparing the financial statements.

Group restructure and acquisition

On 11 December 2013 the group of companies headed by MDNX Group Limited was acquired by MDNX Holdings Limited. At the same time as MDNX Group Limited was acquired the Easynet group headed by EGH Limited was also acquired by MDNX Holdings Limited and all the existing debt of MDNX Group Limited was repaid.

MDNX Group Limited is now part of the largest independent provider of managed network and hosting services in Europe. It is being integrated with the Easynet Group and will benefit from the greater purchasing power, economies of scale and extended product range that the integrated business delivers.

This report was approved by the board on

12/12/14

and signed on its behalf.

Mark Thompson
Director



Independent Auditor's Report to the Members of Octium Limited

We have audited the financial statements of Octium Limited for the year ended 31 March 2014, which comprise the Profit and loss account, the Balance sheet 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).

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 auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 March 2014 and of its results 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Independent Auditor's Report to the Members of Octium Limited

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.

Grant Thornton UK LLP

James Rogers (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Statutory Auditor

Chartered Accountants

Reading

Date: 18 December 2014.

Profit and Loss Account

For the year ended 31 March 2014

		31 March 2014 £000	15 month period ended 31 March 2013 £000
	Note		
Turnover	1,2	-	1,452
Administrative expenses		-	(1,430)
Operating profit		-	22
Interest payable and similar charges	6	-	(54)
Profit/(loss) on ordinary activities before taxation		-	(32)
Tax on profit/(loss) on ordinary activities		-	-
Profit/(loss) for the financial year	12	-	(32)

All amounts relate to continuing operations.

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account.

The notes on pages 9 to 15 form part of these financial statements.

Balance Sheet

As at 31 March 2014

	Note	£000	2014 £000	£000	2013 £000
Fixed assets					
Investments	7		6,979		6,979
Current assets					
Debtors	8	-		820	
Creditors: amounts falling due within one year	9	(4,692)		(5,512)	
Net current liabilities			(4,692)		(4,692)
Net assets			2,287		2,287
Capital and reserves					
Called up share capital	11		1,346		1,346
Share premium account	12		258		258
Capital redemption reserve	12		50		50
Profit and loss account	12		633		633
Shareholders' funds	13		2,287		2,287

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

12/12/14



Mark Thompson
Director

The notes on pages 9 to 15 form part of these financial statements.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the company as an individual undertaking and not about its group.

1.2 Going concern

The company is part of the largest independent provider of managed network and hosting services in the UK. MDNX Group Limited is committed to supporting the company, and the group of which the company is part, which benefits from a number of long term service contracts with customers and the financing facilities made available by MDNX.

As further discussed in the Financial Risk Management section of the Strategic Report on page 3 and after making enquiries, the Directors believe that the company, with the support of MDNX, has adequate resources to continue in operational existence for the foreseeable future. The Group as a result will not recall the long-term debt in the immediate future. For this reason the company continues to adopt the going concern basis in preparing the financial statements.

1.3 Turnover

Turnover represents the value of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. The company's turnover comprises income from the provision of managed secure, resilient wide area networks and managed hostings.

Turnover is recognised as the services are provided. Installation, equipment and consulting services are recognised when delivered and services are recognised over the period of the contract to which they relate.

1.4 Pensions

Pension contributions are made by the company to the defined-contribution pension schemes for certain employees. Contributions payable in the period are charged to the profit and loss account. Differences between contributions payable in the period and contributions paid are shown as either accruals or prepayments in the balance sheet.

1.5 Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date.

Notes to the Financial Statements

For the year ended 31 March 2014

1. Accounting Policies (continued)

1.6 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.7 Management of liquid resources

The directors define cash for the purposes of the cash flow statements as cash at bank and in hand.

1.8 Investments

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

1.9 Cash flow statement

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

1.10 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Profit and loss account over its estimated economic life.

Notes to the Financial Statements

For the year ended 31 March 2014

2. Turnover

The whole of turnover is attributable to managed hosting and network services which arise solely in the UK.

3. Auditors' remuneration

Group audit fees amounted to £65,000 for audit services and £33,000 for non-audit services (2013: £83,000 for audit services and £132,000 for non-audit services). They were borne by Easynet Enterprise Services Limited. A more detailed breakdown is shown in the consolidated financial statements of MDNX Group Limited.

This has been allocated amongst group members according to their level of activity in the year. No fees have been allocated to this Company.

4. Staff costs

Staff costs, including directors' remuneration, were as follows:

	31 March 2014 £000	15 month period ended 31 March 2013 £000
Wages and salaries	-	631
Social security costs	-	64
Other pension costs	-	18
	<u>-</u>	<u>713</u>

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

	31 March 2014 No.	15 month period ended 31 March 2013 No.
Administration	<u>0</u>	<u>11</u>

Notes to the Financial Statements

For the year ended 31 March 2014

5. Directors' remuneration

	31 March 2014 £000	15 month period ended 31 March 2013 £000
Remuneration	-	222

Directors' remuneration was paid through Easynet Enterprise Services Limited, and then allocated throughout the group depending on the level of activity in each company. No remuneration (2013: £222,000) was allocated to Octium Limited.

The total remuneration across the group is shown in the consolidated accounts of MDNX Group Limited.

6. Interest payable

	31 March 2014 £000	15 month period ended 31 March 2013 £000
On loans from group undertakings	-	54

7. Fixed asset investments

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2013 and 31 March 2014	6,979
Net book value	
At 31 March 2014	6,979
At 31 March 2013	6,979

Company name	Country	Percentage Shareholding	Description
Easynet Information Systems Limited	England and Wales	100%	Managed network services
Easynet Corporate Services Limited	England and Wales	100%	Managed network services
Allurian Limited	England and Wales	100%	Cost centre

Notes to the Financial Statements

For the year ended 31 March 2014

8. Debtors

	2014 £000	2013 £000
Amounts owed by group undertakings	-	802
Prepayments and accrued income	-	18
	<u>-</u>	<u>820</u>

9. Creditors:**Amounts falling due within one year**

	2014 £000	2013 £000
Amounts owed to group undertakings	4,670	5,233
Corporation tax	2	-
Other taxation and social security	20	20
Other creditors	-	60
Accruals and deferred income	-	199
	<u>4,692</u>	<u>5,512</u>

10. Deferred taxation

There is a potential deferred tax asset of £33,803 (2013: £38,874) arising from brought forward tax losses. This has not been recognised in the accounts because, as a non-trading company, it is not certain that Octium Limited will make sufficient profits in the future for this to be recovered.

11. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
313,316 Ordinary A shares of £0.50 each	156,658	156,658
283,884 Ordinary B shares of £0.50 each	141,942	141,942
94,000 Ordinary C shares of £0.50 each	47,000	47,000
1,000,000 Preference shares of £1 each	1,000,000	1,000,000
	<u>1,345,600</u>	<u>1,345,600</u>

Notes to the Financial Statements

For the year ended 31 March 2014

12. Reserves

	Share premium account £000	Capital redempt'n reserve £000	Profit and loss account £000
At 1 April 2013 and 31 March 2014	258	50	633

13. Reconciliation of movement in shareholders' funds

	2014 £000	2013 £000
Opening shareholders' funds	2,287	2,265
Profit/(loss) for the year/15 month period	-	(32)
Shares issued during the year/15 month period	-	27
Share premium on shares issued (net of expenses)	-	27
Closing shareholders' funds	2,287	2,287

14. Contingent liabilities

During the year the company, together with the other members of the MDNX Group and the wider group headed by MDNX Group Holdings Limited, entered into new banking facilities with Highbridge Principal Strategies LLC and Barclays Bank PLC by which the company provides security over its assets to Highbridge Principal Strategies LLC and Barclays Bank PLC.

At the balance sheet date, the net liabilities of the group headed by MDNX Group Holdings Limited were £143.6m (2013: group liabilities of £15m).

15. Capital commitments

There were no capital commitments at 31 March 2014 or 31 March 2013.

16. Financial commitments

There were no financial commitments at 31 March 2014 or 31 March 2013.

Notes to the Financial Statements

For the year ended 31 March 2014

17. Related party transactions

The company has taken advantage of the exemption granted by FRS 8, Related Party Transactions, not to disclose details of transactions with other Group companies. There were no other related party transactions.

During the period, director loan accounts relating to the previous directors of the Octium Group were settled. Payments of £2,038,441 were paid to Richard Cunningham and £582,487 were paid to both Adrian Sunderland and James Willis. No amounts were outstanding at the period-end (2011: £64,026 was owed to Richard Cunningham). The director loan accounts incurred interest at 2% over base rate.

Rent of £34,500 and service charges of £33,543 were paid to Richard Cunningham in relation to Commontime during the period. No balances were owed to Commontime at the year-end.

18. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and ultimate controlling party is considered to be MDNX Group Limited, a Company registered in England and Wales, by virtue of its 100% shareholding in MDNX Limited which owns 100% of the ordinary share capital of the company.

The smallest and largest group of undertakings for which group accounts (including Octium Limited) have been drawn up for the year ended 31 March 2014 is the group headed by MDNX Group Limited. Copies of Group financial statements can be obtained from St James House, Oldbury, Bracknell, RG12 8TH.