

Bak2 Group Limited
Annual Report and Financial Statements
For the year ended 30 June 2017



Bak2 Group Limited

Company Information

Directors	G Dumoulin J L Laccourreye
Company number	06541590
Registered office	Orbital House 20 Eastern Road Romford Essex RM1 3PJ
Auditor	Kingston Smith LLP Orbital House 20 Eastern Road Romford Essex RM1 3PJ

Bak2 Group Limited

Contents

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Independent auditor's report	5 - 7
Group profit and loss account	8
Group balance sheet	9
Company balance sheet	10
Group statement of changes in equity	11
Company statement of changes in equity	12
Group statement of cash flows	13
Notes to the financial statements	14 - 29

Bak2 Group Limited

Strategic Report

For the year ended 30 June 2017

The directors present the strategic report for the year ended 30 June 2017.

Fair review of the business

The principal activity of the group is that of the distribution and servicing of mobile phones and related equipment.

During 2017 Bak2 Group continued to develop its service offering to the mobile telecoms sector by diversifying and enhancing its service offering and reduce its reliance on mobile phone export and trading activities.

The benefits of the new service offering and the focus on the re-distribution into the European market instead of exporting will be seen in the following years as the business moves towards generating a far greater percentage of its income from more sustainable and predictable value added services, and high profile European clients.

In 2017, the group signed major buyback contracts to secure recurrent inbound flow for products being highly demanded in Europe, and invested in selected high value refurbishment capabilities in its Western European centers, enabling to be closer to its client bases.

Coupled with the above, the group has revisited its way of operating, making all its process more efficient, and has made significant further savings in both IT and service delivery overheads. We are again confident that the changes undertaken in the year have placed us in a good position to take advantage of the growth opportunities in the following years.

Finally, our solutions continue to offer the highest financial returns, corporate responsibility and quality and we thank every one of our team for their dedication and commitment to the delivery of excellence to our clients.

Principal risks and uncertainties

The principal risk and uncertainty facing the group are with foreign currencies and fluctuations in pre owned mobile phone pricing. The company is exposed to foreign exchange risk as a result of operations within the group. A decline in the Euro will have a direct effect on trading results.

Due consideration is given to forward provisioning of exchange rates when entering contracts however, the costs of managing this risk exceed potential benefits. The directors will revisit the appropriateness of this policy should the group's operations change in size or nature.

The group has considerably reduced its reliance on offshore mobile phone trading activities.

The so called "Brexit" is not expected to impact the group in the coming years. However from 2016 onward, the group has reported all its activities in Euros.

Financial risk management

The group's operations expose it to limited financial risks that include price risk, credit risk, liquidity risk and foreign exchange risk. The policies set by the board of directors are implemented by the finance department.

The group actively maintains a mixture of short-term, intercompany and debt finance that is designed to ensure the group has sufficient funds for operations.

Bak2 Group Limited

Strategic Report (Continued)

For the year ended 30 June 2017

Key performance indicators

The key performance indicators for the group are -

The turnover has reduced as the reliance on the significant trade in relationship reduces.

	2017	2016
	€	€
Turnover	17,040,102	19,847,818
Gross profit margin	8.94%	8.10%

Future developments

The group is focused on developing the growth prospects clearly identified in its sector by expanding its subsidiaries' client base and capabilities around the world.

On behalf of the board



G. Dumoulin

Director

30 August 2018

Bak2 Group Limited

Directors' Report

For the year ended 30 June 2017

The directors present their annual report and financial statements for the year ended 30 June 2017.

Under CA2006 s414C(11), the information relating to future developments and risk management are included in the strategic report.

Directors

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

G Dumoulin

J L Laccourreye

Results and dividends

The results for the year are set out on page 8.

No dividend was paid in the year.

Auditor

In accordance with the company's articles, a resolution proposing that Kingston Smith LLP be reappointed as auditor of the group will be put at a General Meeting.

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 group and company, and of the profit or loss of the group 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;
- 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Bak2 Group Limited

Directors' Report (Continued)

For the year ended 30 June 2017

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company's auditor 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

.....
G Dumoulin
Director
.....

30 August 2018

Bak2 Group Limited

Independent Auditor's Report

To the Members of Bak2 Group Limited

Disclaimer of opinion

We were engaged to audit the financial statements of Bak2 Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the the Group Profit And Loss Account, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity, the Group Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

We do not express an opinion on the financial statements. Because of the significance of the matters described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Basis for disclaimer of opinion on financial statements

During the year the company lost control of its former subsidiary undertaking, S.C. Diangi Grup S.R.L. As a result of this loss of control, and limitations placed on the scope of our work by the management of the former subsidiary, we were unable to obtain any audit evidence in respect of the income and expenses of the former subsidiary or of its assets and liabilities at the date the company lost control. The results of S.C. Diangi Grup S.R.L are included in the group profit and loss account up to the date of loss of control, 31 March 2017. In addition to the above, the comparative figures in the consolidated financial statements include an amount of €1,237,471 which had been recognised as revenue in the financial statements of the company's Romanian subsidiary, S.C. Diangi Grup SRL. However this amount did not meet the criteria for recognition as revenue in accordance with section 23 of FRS 102 and therefore, in our opinion, should not have been recognised as revenue in the prior year in the consolidated financial statements. Accordingly, the comparative turnover should have been reduced and creditors due within one year should have been increased by €1,237,471 and the loss for the prior year and net liabilities at the prior year reporting date increased to €1,656,759 and €1,534,169 respectively.

As a result of these matters, we were therefore unable to obtain sufficient appropriate audit evidence in respect of the group profit and loss account for the year ended 30 June 2017, including the profit on disposal of the subsidiary of €312,945 shown in the group profit and loss account.

Material uncertainty related to going concern

We have considered the adequacy of the disclosures made in note 1.3 of the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of €201,893 for the year ended 30 June 2017 and at that date the group's current liabilities exceeded its total assets by €550,669. The group is also reliant on the continuation of its debt factoring facility. These conditions, along with the other matters explained in note 1.3, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would be necessary if the group was unable to continue as a going concern.

Bak2 Group Limited

Independent Auditor's Report (Continued)

To the Members of Bak2 Group Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

Notwithstanding our disclaimer of opinion on the view given by the financial statements, 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; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Arising from the limitation of our work referred to above in the basis for disclaimer of opinion section:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

- 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.

Responsibilities of directors

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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Bak2 Group Limited

Independent Auditor's Report (Continued)

To the Members of Bak2 Group Limited

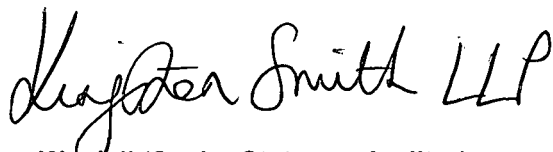
Auditor's responsibilities for the audit of the financial statements

Our responsibility is to conduct a audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. However, because of the matters described in the Basis for disclaimer of opinion section, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK; including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Use of our report

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.



Karen Wardell (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP

Chartered Accountants
Statutory Auditor



Orbital House
20 Eastern Road
Romford
Essex
RM1 3PJ

Bak2 Group Limited

Group Profit and Loss Account

For the year ended 30 June 2017

	Notes	2017 €	2016 €
Turnover	3	17,040,102	19,847,818
Cost of sales		(15,516,688)	(18,240,331)
Gross profit		1,523,414	1,607,487
Administrative expenses		(1,970,559)	(1,948,720)
Operating loss	4	(447,145)	(341,233)
Share of results of associates and joint ventures		(1,391)	(42,826)
Interest payable and similar expenses	8	(53,186)	(4,149)
Amounts written off investments		(6,429)	-
Profit on disposal of subsidiary	16	312,945	
Loss before taxation		(195,206)	(388,208)
Tax on loss	9	(6,687)	(31,080)
Loss for the financial year		(201,893)	(419,288)
Loss for the financial year is attributable to:			
- Owners of the parent company		21,197	(353,880)
- Non-controlling interests		(223,090)	(65,408)
		(201,893)	(419,288)

Bak2 Group Limited

Group Balance Sheet

As at 30 June 2017

	Notes	2017 €	€	2016 €	€
Fixed assets					
Goodwill	10		139,619		187,109
Negative goodwill	10		-		(53,220)
Net goodwill			139,619		133,889
Other intangible assets	10		75,612		117,424
Total intangible assets			215,231		251,313
Tangible assets	11		33,540		272,486
Investments	12		25,699		27,090
			274,470		550,889
Current assets					
Stocks	18	763,566		2,163,358	
Debtors	19	1,118,882		4,002,833	
Cash at bank and in hand		110,390		8,455	
		1,992,838		6,174,646	
Creditors: amounts falling due within one year	20	(2,817,977)		(7,022,233)	
Net current liabilities			(825,139)		(847,587)
Total assets less current liabilities			(550,669)		(296,698)
Capital and reserves					
Called up share capital	23		1,491		1,491
Share premium account			780,785		780,785
Other reserves			(175,159)		(175,159)
Profit and loss reserves			(1,157,786)		(1,178,983)
Shareholders' funds			(550,669)		(571,866)
Non-controlling interests			-		275,168
			(550,669)		(296,698)

The financial statements were approved by the board of directors and authorised for issue on 30 August 2018 and are signed on its behalf by:

G Dumoulin
Director

Bak2 Group Limited

Company Balance Sheet

As at 30 June 2017

	Notes	2017 €	2016 €
Fixed assets			
Goodwill	10	142,468	189,958
Other intangible assets	10	75,612	117,424
Total intangible assets		218,080	307,382
Investments	12	129,856	272,009
		347,936	579,391
Current assets			
Stocks	18	753,566	195,115
Debtors	19	1,064,502	1,474,428
Cash at bank and in hand		68,697	8,455
		1,886,765	1,677,998
Creditors: amounts falling due within one year	20	(3,039,320)	(3,100,305)
Net current liabilities		(1,152,555)	(1,422,307)
Total assets less current liabilities		(804,619)	(842,916)
Capital and reserves			
Called up share capital	23	1,491	1,491
Share premium account		780,785	780,785
Profit and loss reserves		(1,586,895)	(1,625,192)
Total equity		(804,619)	(842,916)

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was €38,297 (2016 - €195,352 loss).

The financial statements were approved by the board of directors and authorised for issue on 30 August 2018 and are signed on its behalf by:

G Dumoulin
Director

Company Registration No. 06541590

Bak2 Group Limited

Group Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital €	Share premium account €	Other reserves €	Profit and loss reserves €	Total equity €	Non- controlling interest €	Total €
Balance at 1 July 2015	1,491	780,785	(175,159)	(825,103)	(217,986)	340,576	122,590
Period ended 30 June 2016:							
Loss and total comprehensive income for the year	-	-	-	(353,880)	(353,880)	(65,408)	(419,288)
Balance at 30 June 2016	1,491	780,785	(175,159)	(1,178,983)	(571,866)	275,168	(296,698)
Period ended 30 June 2017:							
Profit and total comprehensive income for the year	-	-	-	21,197	21,197	(223,090)	(201,893)
Elimination of non-controlling interest on disposal of subsidiary	-	-	-	-	-	(52,078)	(52,078)
Balance at 30 June 2017	1,491	780,785	(175,159)	(1,157,786)	(550,669)	-	(550,669)

Bak2 Group Limited

Company Statement of Changes in Equity

For the year ended 30 June 2017

	Share capital €	Share premium account €	Profit and loss reserves €	Total €
Balance at 1 July 2015	1,491	780,785	(1,429,840)	(647,564)
Period ended 30 June 2016:				
Loss and total comprehensive income for the year	-	-	(195,352)	(195,352)
Balance at 30 June 2016	1,491	780,785	(1,625,192)	(842,916)
Period ended 30 June 2017:				
Profit and total comprehensive income for the year	-	-	38,297	38,297
Balance at 30 June 2017	1,491	780,785	(1,586,895)	(804,619)

Bak2 Group Limited

Group Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 €	€	2016 €	€
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	27		385,115		(291,620)
Interest paid			(53,186)		(4,149)
Income taxes refunded/(paid)			21,212		(39,105)
Net cash inflow/(outflow) from operating activities			353,141		(334,874)
Investing activities					
Purchase of tangible fixed assets		(49,976)		(146,143)	
Proceeds on disposal of subsidiaries		186,553		-	
Purchase of associates		(6,429)		-	
Net cash generated from/(used in) investing activities			130,148		(146,143)
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			483,289		(481,017)
Cash and cash equivalents at beginning of year			(1,144,740)		(663,723)
Cash and cash equivalents at end of year			(661,451)		(1,144,740)
Relating to:					
Cash at bank and in hand			110,390		8,455
Bank overdrafts and factoring balance included in creditors payable within one year			(771,841)		(1,153,195)

Bak2 Group Limited

Notes to the Financial Statements

For the year ended 30 June 2017

1 Accounting policies

Company information

Bak2 Group Limited ("the Company") is a private company limited by shares, domiciled and incorporated in England and Wales. The registered office is Orbital House, 20 Eastern Road, Romford, Essex, RM1 3PJ.

The Group consists of Bak2 Group Limited and all of its subsidiaries.

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 Euros, 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 under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate those of Bak2 Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 30 June 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies

(Continued)

1.3 Going concern

The group has continued to meet its obligations as and when they fall due during and subsequent to the accounting period, with careful management of working capital together with support from the directors and available banking and debt factoring facilities. The bank overdraft facility has been agreed to be repaid gradually over the period to October 2018 and renewed factoring facilities have been agreed which are considered by the directors to be sufficient. In addition the directors have confirmed their intention to continue to support the company for a period of at least twelve months from the date of approval of the financial statements.

The directors continue to review all aspects of the business with a view to improving the trading results, having taken strategic steps to move the business model to a servicing offering from reliance on mobile phone trading activities, and believe that they have and will continue to achieve this over the next twelve months. The directors are confident that this will ensure a return to profitability and support the growth plans for the business.

On the basis of the revised strategy, together with the renewal of factoring facilities and the intention of the directors to continue to support the business, the directors believe that the group will be able to continue in business and meet its liabilities as they fall due for a period of at least twelve months from the date of approval of the financial statements. Consequently the directors consider it appropriate to prepare the financial statements on the going concern basis.

1.4 Turnover

Turnover represents amounts receivable by the group, in the ordinary course of business, for sales of goods to third parties, excluding VAT and other sales taxes. The company records transactions as sales when the goods have been despatched. Revenue generated from revenue sharing agreements is recognised in full as turnover with the revenue due to third parties recognised as a cost of sale.

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.

1.5 Intangible fixed assets - goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life of 10 years.

Negative goodwill arose on acquisition of a subsidiary. In line with the accounting policy for positive goodwill, negative goodwill is being written off in equal annual instalments over its estimated useful economic life of 10 years.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation 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:

Software	10-33% straight line
----------	----------------------

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies

(Continued)

1.7 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:

Plant and machinery	10-25% straight line
Computer equipment	33% straight line
Motor vehicles	25% straight line

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 recognised in the profit and loss account.

1.8 Fixed asset investments

Equity investments are measured at fair value through profit or loss, except for those equity investments that are not publicly traded and whose fair value cannot otherwise be measured reliably, which are recognised at cost less impairment until a reliable measure of fair value becomes available.

In the parent company financial statements, investments in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Investments in associates are initially recognised at the transaction price (including transaction costs) and are subsequently adjusted to reflect the group's share of the profit or loss, other comprehensive income and equity of the associate using the equity method.

In the Company financial statements investments in associates are accounted for at cost less impairment.

1.9 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.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

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.

1.10 Financial instruments

The Company only has basic financial instruments measured at amortised cost, with no financial instruments classified as other or basic instruments measured at fair value.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

1 Accounting policies

(Continued)

1.11 Equity instruments

Equity instruments issued by the group 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 group.

1.12 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 group'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 if, and only if, there is 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.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Leases

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.15 Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated into Euros 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.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

2 Judgements and key sources of estimation uncertainty

In the application of the group'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.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Useful economic life of intangible fixed assets

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. Goodwill impairment reviews are also performed annually. These reviews require an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise for the cash generating unit and a suitable discount rate to calculate present value. See note 10 for the carrying amount of the intangible assets and notes 1.5 and 1.6 for the useful economic lives for each class of asset.

Useful economic life of tangible fixed assets

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the property, plant and equipment and note 1.7 for the useful economic lives for each class of asset.

3 Turnover and other revenue

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

	2017	2016
	€	€
Turnover analysed by class of business		
Sales of goods	17,040,102	19,847,818

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

3 Turnover and other revenue		(Continued)	
	2017	2016	
	€	€	
Turnover analysed by geographical market			
Asia	2,905,956	4,552,938	
Africa	258,329	409,875	
Europe	13,617,052	13,986,336	
UK	142,309	566,286	
Other	116,456	332,383	
	<u>17,040,102</u>	<u>19,847,818</u>	
4 Operating loss			
	2017	2016	
	€	€	
Operating loss for the year is stated after charging/(crediting):			
Exchange losses/(gains)	4,520	(11,537)	
Depreciation of owned tangible fixed assets	63,387	93,160	
Amortisation of intangible assets	82,649	80,432	
Cost of stocks recognised as an expense	13,572,448	16,365,180	
Operating lease charges	160,359	190,805	
	<u></u>	<u></u>	
5 Auditors' remuneration			
	2017	2016	
	€	€	
Fees payable to the company's auditor and its associates:			
For audit services			
Audit of the financial statements of the group and company	36,594	24,281	
	<u></u>	<u></u>	
6 Employees			
The average monthly number of persons (including directors) employed by the group and company during the year was:			
	Group		Company
	2017	2016	2017
	Number	Number	Number
Production	132	152	1
Sales	5	2	-
Management	3	3	1
Administration & I.T.	10	12	-
	<u>150</u>	<u>169</u>	<u>2</u>
			<u>2</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

6 Employees (Continued)

Their aggregate remuneration comprised:

	Group 2017 €	2016 €	Company 2017 €	2016 €
Wages and salaries	1,844,121	1,917,588	114,536	132,931
Social security costs	444,200	455,689	1,755	5,336
Pension costs	18,800	11,200	-	-
	<u>2,307,121</u>	<u>2,384,477</u>	<u>116,291</u>	<u>138,267</u>

7 Directors' remuneration

	2017 €	2016 €
Remuneration for qualifying services	<u>381,229</u>	<u>384,808</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2016 - 2).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2017 €	2016 €
Remuneration for qualifying services	161,881	176,188
Company pension contributions to defined contribution schemes	<u>18,800</u>	<u>11,200</u>

8 Interest payable and similar expenses

	2017 €	2016 €
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	53,097	4,070
Other finance costs:		
Other interest	<u>89</u>	<u>79</u>
Total finance costs	<u>53,186</u>	<u>4,149</u>

9 Taxation

	2017 €	2016 €
Current tax		
Foreign current tax on profits for the current period	<u>6,687</u>	<u>31,080</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

9 Taxation

(Continued)

The actual charge for the year can be reconciled to the expected charge based on the profit or loss and the standard rate of tax as follows:

	2017 €	2016 €
Loss before taxation	(195,206)	(388,208)
<i>Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2016: 20.00%)</i>	(37,089)	(77,642)
Tax effect of expenses that are not deductible in determining taxable profit	28,801	-
Tax effect of utilisation of tax losses not previously recognised	(81,286)	-
Depreciation on assets not qualifying for tax allowances	18,747	36,042
Foreign tax adjustments	1,344	(23,278)
UK tax losses carried forwards	-	21,660
Share of associates losses	265	8,565
Other tax adjustments	75,905	65,733
Taxation charge for the year	6,687	31,080

The company has tax losses carried forward of €1,423,183 (2016: €1,851,003) which are available for offset against future trading profits.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

10 Intangible fixed assets

Group	Positive goodwill €	Negative goodwill €	Software €	Total €
Cost				
At 1 July 2016	482,423	(88,700)	243,740	637,463
Disposals	-	88,700	-	88,700
At 30 June 2017	482,423	-	243,740	726,163
Amortisation and impairment				
At 1 July 2016	295,314	(35,480)	126,316	386,150
Amortisation charged for the year	47,490	(6,653)	41,812	82,649
Disposals	-	42,133	-	42,133
At 30 June 2017	342,804	-	168,128	510,932
Carrying amount				
At 30 June 2017	139,619	-	75,612	215,231
At 30 June 2016	187,109	(53,220)	117,424	251,313

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

10 Intangible fixed assets

(Continued)

Company	Positive goodwill €	Software €	Total €
Cost			
At 1 July 2016 and 30 June 2017	474,896	243,740	718,636
Amortisation and impairment			
At 1 July 2016	284,938	126,316	411,254
Amortisation charged for the year	47,490	41,812	89,302
At 30 June 2017	332,428	168,128	500,556
Carrying amount			
At 30 June 2017	142,468	75,612	218,080
At 30 June 2016	189,958	117,424	307,382

11 Tangible fixed assets

Group	Plant and machinery €
Cost	
At 1 July 2016	627,114
Additions	49,976
Elimination on disposal of subsidiary	(382,692)
At 30 June 2017	294,398
Depreciation and impairment	
At 1 July 2016	354,628
Depreciation charged in the year	63,387
Elimination on disposal of subsidiary	(157,157)
At 30 June 2017	260,858
Carrying amount	
At 30 June 2017	33,540
At 30 June 2016	272,486

The company had no tangible fixed assets at 30 June 2017 or 30 June 2016.

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

12 Fixed asset investments

	Notes	Group 2017 €	2016 €	Company 2017 €	2016 €
Investments in subsidiaries	13	-	-	129,856	272,009
Investments in associates	14	25,699	27,090	-	-
		<u>25,699</u>	<u>27,090</u>	<u>129,856</u>	<u>272,009</u>

Movements in fixed asset investments

Group

Shares
€

Cost or valuation

At 30 June 2017

27,090

Share of losses

(1,391)

At 30 June 2017

25,699

Carrying amount

At 30 June 2017

25,699

At 30 June 2016

27,090

Movements in fixed asset investments

Company

Shares
€

Cost or valuation

At 30 June 2017

272,009

Additions

9,429

Impairment

(6,429)

Disposals

(145,153)

At 30 June 2017

129,856

Carrying amount

At 30 June 2017

129,856

At 30 June 2016

272,009

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

13 Subsidiaries

Details of the company's subsidiaries at 30 June 2017 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct
BAK2 Services SARL	France	Repair and refurbishment of telecommunication equipment	Ordinary	100
Dumeg SA	Belgium	Support services to BAK2 Group	Ordinary	100
BAK2 Iberia S.L.	Spain	Repair and refurbishment of telecommunication equipment	Ordinary	100
Begorax Limited	Cyprus	Dormant holding company	Ordinary	100

14 Associates

Details of associates at 30 June 2017 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct
Bamofox Technology Limited	Hong Kong	Repair and refurbishment of telecommunications equipment	Ordinary	46

15 Acquisitions

On 25 October 2016 the group acquired 100% of the issued capital of BAK2 Iberia S.L..

	Book Value	Adjustments	Fair Value
	€	€	€
Trade and other receivables	3,000	-	3,000
Goodwill			-
Total consideration			3,000
The consideration was satisfied by:			€
Intercompany creditor			3,000

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

15 Acquisitions

(Continued)

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:

€

Turnover	293,272
Profit after tax	9,110

16 Disposals

On 31 March 2017 the group lost control of its 67% holding in S. C. Diangi Grup S.R.L. and therefore treated the subsidiary as having been disposed of. Included in these financial statements are losses of €676,029 arising from the company's interests in S. C. Diangi Grup S.R.L. up to the date of its disposal.

€

Cash and cash equivalents	(186,553)
Property, plant and equipment	225,535
Trade and other receivables	3,589,503
Stock	3,242,164
Trade and other payables	(7,084,950)
	(214,301)
Gain on disposal	214,301
Total consideration	-

17 Financial instruments

	Group 2017 €	2016 €	Company 2017 €	2016 €
Carrying amount of financial assets				
Debt instruments measured at amortised cost	965,711	2,571,584	1,062,272	1,467,221
Carrying amount of financial liabilities				
Measured at amortised cost	2,716,252	6,921,639	3,014,772	3,040,115

18 Stocks

	Group 2017 €	2016 €	Company 2017 €	2016 €
Finished goods and goods for resale	763,566	2,163,358	753,566	195,115

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

19 Debtors

	Group 2017	2016	Company 2017	2016
Amounts falling due within one year:	€	€	€	€
Trade debtors	949,213	2,513,751	1,037,030	1,258,906
Corporation tax recoverable	-	25,449	-	-
Amounts due from group undertakings	9,687	-	18,431	150,484
Amounts due from undertakings in which the company has a participating interest	6,811	57,831	6,811	57,831
Other debtors	64,176	35,771	2,230	1,696
Prepayments and accrued income	88,995	1,370,031	-	5,511
	<u>1,118,882</u>	<u>4,002,833</u>	<u>1,064,502</u>	<u>1,474,428</u>

20 Creditors: amounts falling due within one year

	Notes	Group 2017	2016	Company 2017	2016
		€	€	€	€
Bank loans and overdrafts	21	771,841	1,153,195	752,879	1,091,980
Trade creditors		159,129	4,164,994	34,008	70,882
Amounts due to group undertakings		-	-	640,449	665,196
Corporation tax payable		2,450	-	-	-
Other taxation and social security		99,275	100,594	24,548	60,190
Other creditors		263,553	275,155	198,609	195,310
Accruals and deferred income		1,521,729	1,328,295	1,388,827	1,016,747
		<u>2,817,977</u>	<u>7,022,233</u>	<u>3,039,320</u>	<u>3,100,305</u>

The directors have given a joint personal guarantee of €260,000 to the bank Societe Generale S.A..

The group and company has a business finance agreement with CGA Societe Generale, through which it factors its debts. Included in bank loans and overdrafts is an amount owed to CGA Societe Generale of €611,396 (2016: €976,935).

21 Loans and overdrafts

	Group 2017	2016	Company 2017	2016
	€	€	€	€
Bank overdrafts	<u>771,841</u>	<u>1,153,195</u>	<u>752,879</u>	<u>1,091,980</u>
Payable within one year	<u>771,841</u>	<u>1,153,195</u>	<u>752,879</u>	<u>1,091,980</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

22 Retirement benefit schemes

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was €18,800 (2016: €11,200).

23 Share capital

	Group and company	
	2017	2016
	€	€
Ordinary share capital		
Issued and fully paid		
100,000 Ordinary A shares of 1p each	1,408	1,408
5,897 Ordinary B shares of 1p each	83	83
	<u>1,491</u>	<u>1,491</u>

All ordinary shares have full voting and capital distribution rights. The shares rank pari passu in all respects and there are no restrictions on distribution or repayment of capital.

24 Operating lease commitments

Lessee

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Within one year	86,946	140,246	-	-
Between two and five years	164,654	234,634	-	-
In over five years	-	43,330	-	-
	<u>251,600</u>	<u>418,210</u>	<u>-</u>	<u>-</u>

25 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel, is as follows:

	2017	2016
	€	€
Aggregate compensation	<u>516,521</u>	<u>522,258</u>

Bak2 Group Limited

Notes to the Financial Statements (Continued)

For the year ended 30 June 2017

25 Related party transactions

(Continued)

Group and company

At the year end an amount of €148,342 (2016: €148,342) was owed to the directors.

During the year, the group made sales to an associate, Bamofox Technology Limited of €nil (2016: €253,484) on normal commercial terms. Included in amounts owed by participating interest at the year end, were amounts owed by Bamofox Technology Limited of €16,497 (2016: €57,831).

Company only

The company has taken advantage of the exemption available in FRS 102 whereby it has not disclosed transactions with any wholly owned subsidiary undertaking.

During the year the company made purchases from a former subsidiary, S. C. Diangi Grup S.R.L. of €889,445 (2016: €1,348,330) on normal commercial terms. Included in amounts owed to group undertakings at the year end were amounts owed to S. C. Diangi Grup S.R.L. of €nil (2016: €52,989).

On 31 March 2017, the subsidiary was disposed of for €nil proceeds.

26 Events after the reporting date

After the balance sheet date on 18 December 2017, the 46% share associate, Bamofox Technology Limited, was transferred from subsidiary Begorax Limited to Bak2 Group Limited for proceeds of \$HK1 = €0.11.

27 Cash generated from operations	2017 €	2016 €
Loss for the year after tax	(201,893)	(419,288)
Adjustments for:		
Share of results of associates and joint ventures	1,391	42,826
Taxation charged	6,687	31,080
Finance costs	53,186	4,149
Amortisation and impairment of intangible assets	82,649	80,432
Depreciation and impairment of tangible fixed assets	63,387	93,160
Gain on disposal of subsidiary	(312,945)	-
Impairment of investments	6,429	-
Movements in working capital:		
(Increase) in stocks	(1,842,372)	(1,724,649)
(Increase) in debtors	(718,997)	(1,966,954)
Increase in creditors	3,247,593	3,567,624
Cash generated from/(absorbed by) operations	385,115	-(291,620)