FREEDOM TO SUCCEED

niu Solutions Holdings Limited

Directors' report and consolidated financial statements

Registered number 7828487

31 December 2014

Contents

Company Information

Directors
G C Woodward (resigned 10th February 2014)
D Lewis
S A Ledgerwood (appointed 5th June 2014)
J E M Phillips
T Chambers
D Quantrell

Company Secretary
B G Jenkins

Registered company number :7828487

Registered office
35 New Broad Street
London
EC2M 1NH

Independent auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

Bankers
Barclays Bank Plc
29 Borough high Street
Southwark
London
SE1 1LY

Strategic report

The directors present their Strategic report of the company, niu Solutions Holdings Limited and its subsidiary undertakings (the "Group") for the year ended 31 December 2014.

Principal activities

The Group offers managed IT, voice and data network infrastructure to companies ranging from 100 to 5,000 employees requiring legacy and cloud services. The portfolio is designed to offer end to end services, giving the Group's clients the ability to purchase IT, voice and data network services from a single company, managed on their behalf.

With over 100 skilled employees the Group has developed the brand position "Freedom to Succeed" providing consultancy services and agile IT solutions designed to help our customers:

- Focus on achieving their own business objectives and goals
- Gain access to enterprise class skills and technology platforms to help drive innovation
- Improve service availability and security across their infrastructure
- Achieve regulatory compliance faster with reduced risk and improved business agility

Customers entrust the Group with the delivery and management of:

- Business critical applications - such as email, collaboration, ERM, CRM together with specialist applications particularly in the financial services arena
- User desktop services, managed centrally from the Group's data centre facilities
- Compliance and security requirements, using Group resources to support audit responsibilities on behalf of the client
- Server, storage and backup infrastructure, delivered from the Group's data centre facilities
- Data networking requirements, for private and public connectivity between offices, remote workers and the internet

The Group is investing and developing a portfolio of cloud software and service offerings to expand the Group's strategic position in the market and also to create intellectual property to enhance the future value of the business. The Cognisec Workspace software product allows customers to securely access their business applications, file and content from any location or device.

Review of the business
Key Indicator: Summary of Key Performance

	2014	**2013**	**Comments**
Revenues of a recurring nature as a % of total revenues	87%	85%	Increasing recurring revenues based on long term client relationships are a key indicator of our long term stability.
EBITDA before exceptional costs	£0m	£3.3m	EBITDA is a key measure of our ability to generate cash and a key indicator of the underlying profits of the Group. During the year we experienced customer churn in the voice and data business and invested £1.8m in the development of a new software product, Cognisec. *(2013: £0.7m)* 2014 was a pivotal year in the investment in Cognisec, with the ultimate objective to drive revenue and long term growth in a new business area.

Strategic report *(continued)*

Review of the business *(continued)*

Of the Group's £19.4m revenue, £2.6m revenues were related to professional services or the supply of products in support of the implementation of new contracts, representing 13% of revenues. The balancing 87% or £17m represents revenue streams that are largely recurring in nature and this is a key measure of businesses sustainability and growth. The decrease in revenue is the result of customer churning in our converged voice and data business. However the core managed hosting business has experienced growth of 6.5% in its recurring revenues increasing year on year, with associated gross margins rising from 71% to 73% as we focus on higher margin service orientated business and improve our internal processes. This growth in revenue is further supported by the addition of 7 new customers in the final two quarters of 2014, all of whom are contracted for 3 or more years.

The group experienced a reduction in EBITDA to £24,224 (loss) in the year. This was primarily to do with the investment of £1.8m in the development of a new software product Cognisec which we did to increase the long term growth and development of the Group. In addition we suffered from customer churn which ultimately also contributed to the reduction in EBITDA

To support our brand, "Freedom to Succeed" and the company's strategy we launched a new website in the summer to reflect our updated messaging but also importantly to support and demonstrate our culture at niu. Our people represent are a major asset to the business and it is important that our culture supports this. To this aim we have focussed on developing a stronger management team and have improved and re-launched our appraisal process. We have also been investing in IT systems to help support our project implementation process to ensure we set expectations correctly with our customers and ultimately deliver 100% customer satisfaction.

Principal risks and uncertainties

The business operations are dependent upon a number of key supplier and customer contracts which if lost could impact the trading performance of the Group. This risk is mitigated by the continuing sales effort to ensure the Group is not dependant on any particular customers and periodic evaluation of supplier contracts to benchmark the commercial competitiveness of their services to enable a switch to alternative suppliers if necessary for better commercial terms and/or service delivery.

The hosting operations are dependent upon third party facilities which in the event of a disaster could disrupt the hosting function and could prevent further business from being taken on which would affect sales income. This risk is mitigated by the use of multiple locations, together with resilient fail over solutions.

On behalf of the board

JPhillips

J E M Phillips
Director

35 New Broad Street
London
EC2M 1NH

30 March 2015

Directors' report for the year ended 31 December 2014

The directors present their report together with the audited consolidated financial statements of the company, niu Solutions Holdings Limited and its subsidiary undertakings (the "Group") for the year ended 31 December 2014.

Dividend payment

During the year, the directors have paid a dividend of £nil in respect of the year ended 31 December 2014 (*2013: £1,500,000*).

Financial risk management

The Group's operations expose it to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk.

The Group actively seeks to limit the possible adverse effects on the financial performance of the Group by the constant monitoring of cash. The Group does not use derivative financial instruments to manage interest rate costs and consequently no hedge accounting is applied.

Given the size of the Group, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The Company's finance department implements the policies set by the board of directors. This is overseen by the Finance Director.

Credit risk

The Group trading operations are subject to the risk of customer bad debts which could affect Company liquidity and profitability. This is mitigated by the operation of a strong debt control process, key account management to monitor the financial risk and the collection of major debts in advance of the performance of the service.

Interest rate risk

The Group has interest bearing assets. Interest bearing assets include only cash balances that earn interest at a floating rate. The Group has no interest bearing liabilities.

Liquidity and cash flow risk

The Group maintains a daily review of its cash position together with short to long term projections in order to ensure that the Group has sufficient available funds for operations.

Price risk

All expenditure made by the Company is authorised by management in order to ensure it is valid and relevant to the Company's activities and that the best price is achieved. Expenditure budgets are properly maintained.

Directors' report for the year ended 31 December 2014 *(continued)*

Operational risk

Competitive pressure in the UK is a continuing risk to the Company. A failure to gain new business could affect the one-off sales which are generated from project implementations and 'business as usual' sales from the current customer base. In addition, the Company's business model in part involves long term customer contracts and therefore the failure to sign new customer contracts during 2014 would impact the growth in turnover and profitability in future years. The Company manages this risk by maintaining a strong sales and marketing operation to maintain and develop a strong pipeline of prospective new business.

Customer contract cancellations or the failure by a customer to renew a contract at the end of a contract term are considered a risk since these will result in a loss of turnover to the Company. The Company mitigates this risk by monitoring customer satisfaction so that it can address any issues that could cause customer dissatisfaction.

The Company relies on the use of third party data centres to support its product and expansion. The Company's growth and profitability would be at risk if the Company were unable to procure sufficient space or power at the appropriate price. The Company manages this risk by entering into long term agreements with its partners such as, IBM and Orange Business services, to procure the appropriate facilities.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue as a going concern for the foreseeable future. At 31 December 2014, the Group has net assets of £8,487,126.

Based on actual post year end results, projections prepared of the Group's anticipated future results for 12 months to 31 March 2016, combined with the cash resources of the Group and a £3.5m loan facility in place until March 2019, the Directors have reasonable expectations that the Group will have adequate resources to continue in operational existence for a period of no less than 12 months from the date of signing these financial statements. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

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 prepared the group and parent company 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 the company and of the profit or loss of the company and 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 company and the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' report for the year ended December 2014 *(continued)*

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that:

- as far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he/she has taken all the steps that he ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Independent Auditors

In accordance with section 487 of the Companies Act 2006, a resolution for the appointment of PricewaterhouseCoopers LLP as auditors of the Company is to be proposed at the forthcoming general meeting.

On behalf of the board

JPhillips

J E M Phillips
Director

35 New Broad Street
London
EC2M 1NH
30 March 2015

Independent auditors' report to the members of niu Solutions Holdings Limited

Report on the financial statements

Our opinion

In our opinion, niu Solutions Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2014 and of the group's loss and cash flows 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.

What we have audited

The group financial statements and parent company financial statements (the "financial statements"), which are niu Solutions Holdings Limited's financial statements comprise:

- the consolidated balance sheet as at 31 December 2014;
- the consolidated profit and loss account for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of niu Solutions Holdings Limited (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of directors' responsibilities set out on page 5, 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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 group's and 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' report and consolidated financial statements 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.

Gareth Murfitt

Gareth Murfitt (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
30 March 2015

Consolidated profit and loss account
for the year ended 31 December 2014

	Note	**Year ended 31 December 2014 £**	Year ended 31 December 2013 £
Turnover		**19,411,663**	24,233,284
Cost of sales		**(5,330,619)**	(7,975,501)
Gross profit		**14,081,044**	16,257,783
Administrative expenses		**(17,949,550)**	(16,057,242)
Operating (loss)/profit	2	**(3,868,506)**	200,541
Analysed as:			
Earnings before interest, taxation, depreciation, amortisation and exceptional costs		**(24,224)**	3,345,828
Depreciation		**(2,584,381)**	(2,465,981)
Amortisation		**(931,619)**	(927,314)
Exceptional costs	2	**(328,282)**	122,000
Other income		**-**	126,008
		(3,868,506)	200,541
Interest receivable and similar income		**9,164**	16,969
Interest payable and similar charges	5	**(1,612)**	(6,723)
(Loss)/profit on ordinary activities before tax		**(3,860,954)**	210,787
Tax credit/(charge)on (loss)/profit on ordinary activities	6	**690,921**	(148,409)
(Loss)/profit for the financial year		**(3,170,033)**	62,378

The notes on pages 13 to 25 form part of the financial statements.

The results shown above are derived wholly from continuing operations.

There were no recognised gains or losses in the current and prior year except as shown above. Consequently, a separate statement of total recognised gains and losses has not been prepared.

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) for the financial year stated above and their historical costs equivalents.

Consolidated balance sheet
At 31 December 2014

	Note		2014 £		2013 £
Fixed assets					
Intangible assets	8		**6,684,498**		7,616,117
Tangible assets	9		**4,602,452**		5,405,808
			11,286,950		13,021,925
Current assets					
Debtors	*11*	**6,233,352**		5,997,119	
Cash at bank and in hand		**1,456,394**		3,164,726	
		7,689,746		9,161,845	
Creditors: amounts falling due within one year	*12*	**(10,489,569)**		(10,526,611)	
Net current liabilities			**(2,799,824)**		(1,364,766)
Net assets			**8,487,126**		11,657,159
Capital and reserves					
Called up share capital	*13*		**33,640**		33,640
Share premium account	*15*		**14,120,758**		14,120,758
Profit and loss account	*15*		**(5,667,272)**		(2,497,239)
Total Shareholders' funds	*15*		**8,487,126**		11,657,159

The notes on pages 13 to 25 form part of the financial statements.

The financial statements were approved by the Board of Directors on 30 March 2015 and were signed on its behalf by:

SPhillips

J E M Phillips
Director

Company balance sheet

At 31 December 2014

	Note	**2014**	**2014**	2013	2013
			£		£
Fixed assets					
Investments	*10*		**10,757,298**		23,876,286
			10,757,298		23,876,286
Current assets					
Debtors	*11*	**445,338**		1,133,296	
Cash at bank and in hand		**167,186**		759,982	
		612,524		1,893,278	
Creditors: amounts falling due within one year	*12*	**(11,989,219)**		(13,331,992)	
Net current liabilities		**(11,376,695)**			(11,438,714)
Net assets			**(619,397)**		12,437,572
Capital and reserves					
Called up share capital	*13*		**33,640**		33,640
Share premium account			**14,120,758**		14,120,758
Profit and loss account			**(14,773,795)**		(1,716,826)
Total Shareholders' funds			**619,397**		12,437,572

The notes on pages 13 to 25 are part of the financial statements.

The financial statements were approved by the Board of Directors on 30 March 2015 and were signed on its behalf by:

JPhillips

J E M Phillips
Director

Consolidated cash flow statement

For the year ended 31 December 2014

Cash flow statement

	2014	2013
	£	£
Operating (loss)/profit	**(3,868,506)**	200,541
Depreciation	**2,584,381**	2,465,981
Amortisation and impairment	**931,619**	927,314
(Increase)/decrease in stocks	**-**	2,669
Decrease in debtors	**377,271**	3,539,108
Decrease in creditors	**(31,587)**	(3,893,125)
Net cash (outflow)/ inflow from operating activities	**(6,822)**	3,242,488
Returns on investments and servicing of finance		
Interest received	**9,164**	16,969
Interest paid	**(1,612)**	(6,723)
Dividends paid	**-**	(1,500,000)
	7,552	(1,489,754)
Taxation received/(paid)	**71,962**	(1,325,599)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(1,781,025)**	(2,638,255)
Cash outflow before financing	**(1,708,332)**	(2,211,120)
Financing		
Reduction of share capital	**-**	(42)
Decrease in cash in the year	**(1,708,332)**	(2,211,162)

Reconciliation of net cash flow to movement in net debt

	At the 31 December 2013	**Cash flows**	**At the 31 December 2014**
	£	**£**	**£**
Cash at bank and in hand	3,164,726	**(1,708,332)**	**1,456,394**

Notes to the financial statements

1 Accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom, under the historical cost convention and the Companies Act 2006. Accounting policies are uniform across all companies in the group.

Going Concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the Group can continue as a going concern for the foreseeable future. At 31 December 2014, the Group has net assets of £8,487,126.

Based on actual post year end results, projections prepared of the Group's anticipated future results for 12 months to 31 March 2015, combined with the cash resources of the Group and a £3.5m loan facility in place until April 2019, the Directors have reasonable expectations that the Group will have adequate resources to continue in operational existence for a period of no less than 12 months from the date of signing these financial statements. For this reason, the Directors continue to adopt the going concern basis in preparing the financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2014. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the period are included in the consolidated profit and loss account from the date of acquisition. Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own profit and loss account.

Turnover

Turnover consists primarily of recurring monthly fees from hosting and managed services, which are recognised as the services are provided. Contracts range from 1 to 5 years. Payments received and billings in advance of providing services are deferred until the services are provided.

Projects, Installation, Software and Hardware turnover is recognised upon completion of service or delivery. Consultancy turnover is recognised as services are provided. Where assets are supplied to customers as part of a "managed solution", where the Group retains the risks of maintaining the assets for a fixed period, revenue from these assets is recognised evenly over the contract term. The assets that are purchased to service these customer contracts are included with tangible fixed assets and depreciated over their useful economic life. Revenue for fixed price implementation projects lasting longer than one year in length is recognised on a percentage completed basis.Turnover is all derived from activities undertaken in the United Kingdom. All turnover is from a single class of business.

Intangible assets

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life of 10 years.

The Company evaluates the carrying value of goodwill in each financial year to determine if there has been any triggering events indicating impairment in value, which would result in the inability to recover the carrying amount. When it is determined that the carrying value exceeds the recoverable amount, the excess is written off to the profit and loss account.
Intangible assets are stated at historic cost less accumulated amortisation. Cost includes the original purchase price. Amortisation is provided at rates calculated to write off the cost of the assets, less their estimated residual value, over the life of the contract.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost. Impairment reviews are carried out on an annual basis.

Tangible fixed assets

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold land and buildings	- over the term of the lease
Plant and machinery	- 15% of reducing balance
Fixtures and fittings	- 10 -25% of reducing balance or over a period of 5 years
Computer equipment	- 25-33% of reducing balance or over a period of 3 years

Stocks

Stocks represent equipment held for maintenance service provision purposes. Stocks are valued at the lower of cost and net realisable value. Cost includes all direct expenditure. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Cost includes all direct expenditure.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19, Deferred Tax.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Notes to the financial statements *(continued)*

1 Accounting policies (continued)

Leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their usefully lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of the finance charge allocated to the future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Operating leases

Rentals under operating leases are charged on the straight line basis over the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Pension costs

The Group operates a defined contribution pension scheme and contributions are held in separately administered fund. Contribution payables for the year are charged to the profit and loss account.

2 Operating (loss)/profit

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Operating (loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation		
Owned assets	**2,584,381**	2,465,981
Amortisation of goodwill	**931,619**	927,314
Operating lease charges: land and buildings	**307,684**	317,057
Foreign exchange	**4,272**	9,467
Onerous supplier contract commitments	**(100,000)**	(122,000)
Bad debt expense	**97,163**	98,171

Auditors' remuneration:

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Audit of these financial statements	**14,000**	15,000
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**36,450**	35,000
Other services relating to taxation	**16,450**	20,072

Notes to the financial statements *(continued)*

2 Operating (loss)/profit *(continued)*

Exceptional Costs	**Year ended 31 December 2014**	Year ended 31 December 2013
	£	£
Redundancy and related costs	**428,282**	11,096
2e2 provision release	**(100,000)**	(122,000)

3 Directors' remuneration

	Year ended 31 December 2014	Year ended 31 December 2013
	£	£
Director's emoluments	**504,754**	456,812
Company contributions to money purchase pension schemes	**8,100**	29,000

The total amount payable to the highest paid director in the respect of the emoluments was £284,359 (*2013: £212,812*). Company pension contribution of £26,000 (*2013: £24,000*) was made to a money purchase scheme on his behalf.

None of the director benefits accrued under the defined contributions pension schemes.

Note to the financial statement *(continued)*

4 Employees - Group

The monthly average number of persons employed by the Group and Company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	Year ended 31 December 2014	Year ended 31 December 2013
Sales	**21**	17
Operations	**28**	85
Administration	**68**	17
	117	119

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
	£	£
Wages and salaries	**7,596,923**	6,615,032
Social security costs	**977,744**	800,244
Other pension costs	**114,784**	125,804
	8,689,451	7,541,080

Notes to the financial statements *(continued)*

5 Interest payable and similar charges

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Bank interest and charges	**1,612**	6,723
	1,612	6,723

6 Tax on (loss)/profit on ordinary activities- Group

Analysis of charge in period		Year ended 31 December 2014		Year ended 31 December 2013
Current tax				
UK corporation tax on profits for the year	**-**		(94,012)	
Adjustments in respect of prior year	**165,963**		(85,140)	
Total current tax		**165,963**		(179,152)
Deferred tax				
Origination/reversal of timing differences	**625,892**		(136,984)	
Effect of changes in tax rates	**(57,209)**		162,016	
Adjustment in respect of prior periods	**(43,725)**		(55,775)	
Total deferred Tax		**524,958**		63,743
Total tax credit/(charge) on profit/(loss) on ordinary activities		**690,921**		(148,409)

Notes to the financial statements *(continued)*

7 Tax on profit on ordinary activities

Factors affecting the tax charge for the current period
The current tax charge for the period is lower than (*2013: lower*) the standard rate of corporation tax in the UK 21.49%, (*2013: 23.25%*). The differences are explained below.

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	**(3,860,954)**	210,787
Current tax at 21.49% *(2013: 23.25%)*	**(828,757)**	48,453
Effects of:		
Expenses not deductible for tax purposes	**215,668**	241,400
Difference between depreciation and capital allowances for the period	**555,423**	129,039
Adjustments in respect of prior periods	**(165,963)**	85,140
Timing differences	**20,883**	11,858
Income not taxable for tax purposes	**(15,525)**	(29,349)
Utilisation of tax losses	**53,308**	29,617
Group relief not paid for	**-**	3
Enhanced relief in respect of R&D tax credit	**-**	(337,009)
Total current tax credit (see above)	**(165,963)**	179,152

Notes to the financial statements *(continued)*

7 Tax on profit/(loss) on ordinary activities- Group *(continued)*

Deferred tax

	Deferred tax
	£
At beginning of period asset	1,079,390
Charge to the profit and loss for the period	585,876
Adjustment in respect of prior periods	(57,209)
At end of period (see note 11)	**1,608,057**

The elements of deferred taxation are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
	£	£
Difference between accumulated depreciation and amortisation and capital allowances	**1,498,459**	1,111,361
Other timing differences	**29,633**	(46,971)
Short term trading difference	**126,936**	15,000
Losses	**(46,971)**	-
Deferred tax asset (see note 11)	**1,608,057**	1,079,390

Notes to financial statements *(continued)*

8 Intangible fixed assets

Group	**Goodwill**
	£
Cost	
At 1 January 2014	9,316,193
At 31 December 2014	**9,316,193**
Accumulated amortisation	
At 1 January 2014	1,700,076
Charged in year	931,619
At 31 December 2014	**2,631,695**
Net book value	
At 31 December 2014	**6,684,498**
At 31 December 2013	7,616,117

On 29 February 2012, the Group acquired niu Solutions Limited and Ipitomi Limited with goodwill of £9.3m arising.

9 Tangible fixed assets – Group

	Computer Equipment	**Plant & Equipment**	**Fixtures & Fittings**	**Total**
	£	**£**	**£**	**£**
Cost				
At 1 January 2014	12,190,462	1,087,798	927,920	14,206,180
Additions	1,704,560	-	76,466	1,781,025
At 31 December 2014	**13,895,022**	**1,087,798**	**1,004,386**	**15,987,205**
Accumulated Depreciation				
At 1 January 2014	7,813,613	637,427	349,332	8,800,372
Charged in year	2,520,386	-	63,995	2,584,381
At 31 December 2014	**10,333,999**	**637,427**	**413,327**	**11,384,753**
Net book value				
At 31 December 2014	**3,561,023**	**450,371**	**591,059**	**4,602,452**
At 31 December 2013	4,376,849	450,371	578,588	5,405,808

Included within fixed assets are £1,976,086 (*2013: £2,592,560*) net book value of assets that are held specifically to service customer contracts.

Notes to financial statements *(continued)*

10 Fixed asset investments – Company

	Interest in subsidiaries undertakings £
Cost and net book value	
As at 1 January 2014	23,876,286
Impairment	(13,118,988)
As at 31 December 2014	**10,757,298**

The interests in principal group undertakings directly held at 31 December 2014 are as follows:

Company name	Company's % interest directly held	Country of incorporation	Type	Principle activities
niu Solutions Limited	100	England	Trading	IT and telecommunications
Cognisec Limited	100	England	Trading	IT

The directors have assessed the carrying value of the investment in niu Solutions Limited impaired based on the future extended cash flows.

11 Debtors

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Trade Debtors	**3,344,457**	-	3,733,634	-
Work in Progress	**12,985**	-	-	-
Amounts owed by group undertakings	-	-	-	777,845
Other Debtors	**443,470**	**355,451**	434,846	355,451
Deferred tax asset	**1,608,057**	**5,051**	1,079,390	-
Corporation tax receivable	**84,836**	**84,836**	-	-
Prepayments and accrued income	**739,547**	-	749,249	-
	6,233,352	**445,338**	5,997,119	1,133,296

Amounts owed by group undertakings are unsecured interest free, have no fixed date repayment and are repayable on demand.

Notes to financial statements *(continued)*

12 Creditors: amounts falling due within one year

	Group 2014 £	Company 2014 £	Group 2013 £	Company 2013 £
Trade creditors	3,160,224	-	1,837,656	-
Amounts owed to group undertakings	-	13,676,186	-	12,531,386
Other creditors	384,356	-	473,865	-
Other taxation and social security	821,947	-	357,398	-
Accruals and deferred income	5,108,618	35,188	6,593,157	22,409
Onerous contract provision	147,717	-	392,374	-
Corporation tax payable	866,707	777,845	872,161	778,197
	10,489,569	14,489,219	10,526,611	13,331,992

Amounts owed to group undertakings are unsecured interest free, have no fixed date repayment and are repayable on demand.

13 Called up share capital – Group and Company

	2014 £	2013 £
Allotted, called and fully paid		
60,000 *(2013: 60,000)* Ordinary A shares of £ 0.20 each	12,000	12,000
16,000 *(2013:16,000)* Ordinary B shares of £ 0.45 each	7,200	7,200
24,000 *(2013:24,000)* Preference shares of £ 0.01 each shares	240	240
14,100,000 *(2013:14,100,000)* Preference shares of £ 0.001 each	14,100	14,100
10,000 *(2013:10,000)* Preference A shares of £ 0.01 each	100	100
Share classified in shareholders' funds	33,640	33,640

On 29 February 2012 the following new classes of A preference and B preference shares of £0.001 each were authorised, the rights of which are set out in the amended articles of association of the Company. Also on this date the Company authorised and issued 13,004,041 A preference shares of £0.001 each and 1,095,959 B preference shares of £0.001 each such shares having the rights as set out in the Company's articles of association.
On 27 June 2012 the following new classes of B1 ordinary shares of £0.45 each, A ordinary shares of £0.20 each and B2 ordinary and management value shares of £0.01 each were authorised, the rights of which are set out in the amended articles of association of the Company and the one issued ordinary share of £1.00 in the capital of the Company was subdivided into five ordinary shares of £0.20 each and then each was re-designated as A Ordinary shares of £0.20 each in the capital of the Company. Also on this date the Company authorised and issued 59,995 A ordinary shares of £0.20 each, 16,000 B1 ordinary shares of £0.45 each, 23,000 B2 ordinary shares of £0.01 each and 9,714 management value shares of £0.01 each such shares having the rights as set out in the Company's articles of association.

On 19 December 2012 the Company authorised and issued 1,000 B2 ordinary shares of £0.01 each and 286 management value shares of £0.01 each such shares having the rights as set out in the Company's articles of association.
The share premium arising from the issue of preference A shares and the preferences shares was £34,900 and £14,085,900 respectively.

Notes to financial statements *(continued)*

14 Dividend

	2014	2013
Allotted, called and fully paid	**£**	£
Equity dividend	-	1,500,000

The directors proposed and approved a dividend payment of £nil during the year.

15 Reconciliation of movement in shareholders' funds

Group	Called up share capital	Share premium account	Profit and loss account	Total
	£	£	£	£
At 1 January 2014	33,640	14,120,758	(2,497,239)	11,657,159
Loss for the year	-	-	(3,170,033)	(3,170,033)
At 31 December 2014	**33,640**	**14,120,758**	**(5,667,272)**	**8,487,126**

16 Pension scheme

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £114,784 (*2013: £125,804*) in the year ending the 31 December 2014.

17 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

Group	2014 Land and Buildings £	2013 Land and Buildings £
Operating leases which expire:		
Within one year	**204,000**	107,949
Within two to five years	-	300,000
	204,000	407,949

Notes to financial statements *(continued)*

18 Related party transactions

During the year niu Solutions Limited, a fully owned subsidiary of niu Solutions Holdings Limited, purchased business services from the NCC Group. A board member of the Group is a board member of NCC Group. Costs incurred during the year from NCC was £5,047 (*2013: £6,867*) and £nil (*2013: £nil*) was outstanding from NCC at the year end.

During the year niu Solutions Limited, a fully owned subsidiary of niu Solutions Holdings Limited, supplied business services from the Goldacre Ventures Limited. The Chairman of Niu Solutions Holding Limited, D. Lewis, is also the Chairman of Goldacre Ventures Limited. Revenue earned during the year from Goldacre Ventures Limited was £37,482 (*2013: £30,153*) and £3,020 (*2013: £nil*) was outstanding from Goldacre Ventures Limited at the year end.

During the year the Group entered into a £1.5m facility with Leo Noe. The facility was not drawn down and on the 6th March 2015 the facility was removed.

19 Post Balance sheet event

On the 6th March 2014 the Group entered into a new facility for £3.5m with Santander plc.

20 Ultimate parent undertaking

niu Solutions Holdings Limited is the ultimate company in the group and it is the only company to consolidate the group financial statements.

The ultimate controlling party is Valtez Limited by virtue of its indirect ownership of Harper Limited which is the majority beneficial shareholder in the Group.