

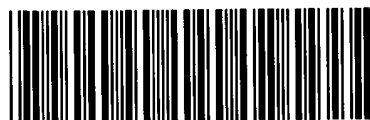
**Optimity Holdings Limited (formerly Sydney
Topco Limited)**

**Annual report and consolidated
financial statements**

Registered number 10064229

31 December 2016

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Strategic Report

The Directors present their report the period from 15th March to 31st December 2016.

The Company was incorporated on 15th March 2016 as Sydney Topco Limited. On 1st June 2016 it acquired 100% of the equity of Optimity Limited and its subsidiaries. The Company changed its name to Optimity Holdings Limited on 11th August 2016.

The acquisition on 1st June 2016 follows a significant equity investment from funds managed by FPE Capital LLP. This investment has been made to enable Optimity Limited to accelerate its growth (which until that time had been through the reinvestment of profits) while continuing to operate with only nominal debts. This gives us the option to access additional debt finance, as we drive growth, in the long-term.

Growth will come from extending the coverage of our Wibre service, which uses pioneering wireless technology to replace the need for fibre optics to provide ultra-fast internet connectivity. Pre-investment we were able to achieve proof-of-concept of this technology in East London. The investment allows us to now build a network that can provide Wibre to businesses across London and beyond. It will also enable us to continue the development of value-add services that complement the use of Wibre, including hosted IT and telecom services.

The investment will progressively impact performance through 2017 and 2018, transforming the breadth and scale of the business whilst continuing to grow the recurring revenues. Costs will also increase significantly leading to losses in the short-term. We believe that we are well-placed to execute this strategy.

In the long run, the Group's performance will be measured on Earnings before interest, tax, depreciation and amortisation and excluding exceptional items (EBITDA).

For the 7 months to 31st December 2016, EBITDA was:

£000	2016
Operating loss	(852)
Add Depreciation	297
Add Amortisation goodwill	334
Add One-off items	327
EBITDA	106

Finally, the progress of the organisation is a reflection of the hard work and dedication of an exceptional team, many who have been with the Company from the start. We continue to invest in recruiting and developing great talent and maintain our leadership in tech apprenticeships. While we work with great technology, it is this team that makes us stand out from the competition, and I would like to take this opportunity to thank them all for their commitment and untiring effort in 2016.

By order of the board



Anthony Impey
Director

3rd November 2017

Directors' report

Research and development

The Group does not undertake speculative research and development but is always looking for novel and unique ways to address clients' connectivity and IT service issues. As such, it will look to access different equipment and technologies.

Financial instruments

The Group may at times consider the use of financial instruments to limit exposure to either interest rates or foreign exchange risk. Currently, the Group does not make use of such financial instruments as all its borrowings are at fixed rates of interest and almost all transactions expressed in sterling. The Directors will monitor the situation and may use such instruments to address any exposure.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors

The directors who held office during the year were as follows:

Anthony Impey (appointed 1 June 2016)
David Barbour (appointed 15 March 2016)
Llewellyn John (appointed 15 March 2016)
John Trower (appointed 1 June 2016)

Employees

The Group values its employees highly and communicates regularly with all staff.

Political contributions

The Neither the Group nor Company made no political donations or incurred any political expenditure during the year.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the group's auditor is aware of that information.


Other information

An indication of likely future developments in the business and particulars of significant events which have occurred since the end of the financial year have been included in the Strategic Report on page 1.

Auditor.

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Anthony Impey
Director

5 Fleet Place
London
EC4M 7RD

1st November 2017

Statement of directors' responsibilities in respect of the annual report and the consolidated financial statements

The directors are responsible for preparing the Annual Report and Consolidated 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 they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities



Independent auditor's report to the members of Optimity Holdings Limited (formerly Sydney Topco Limited)

We have audited the financial statements of Optimity Holdings Limited for the period ended 31 December 2016 set out on pages 5 to 25. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's loss for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Smith (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square, London, E14 5GL

8th November 2017

Consolidated Profit and Loss Account
for the period ended 31 December 2016

	<i>Note</i>	2016
		Total
		£000
Turnover	3	3,473
Cost of sales		(1,610)
		<hr/>
Gross profit		1,863
Administrative expenses		(2,054)
One-off expenses	10	(327)
Amortisation of goodwill	12	(334)
		<hr/>
Operating loss		(852)
Other interest receivable and similar income	7	1
Interest payable and similar expenses	8	(223)
		<hr/>
Loss before taxation		(1,074)
Tax on loss	9	(106)
		<hr/>
Loss for the period		(1,180)
		<hr/>

The accompanying notes form part of these financial statements.

Loss for the period is derived from continuing operations.

There were no other gains or losses in the period and therefore a statement of other comprehensive income is not required.

Consolidated Balance Sheet
At 31 December 2016

	<i>Note</i>	2016 £000	2016 £000
Fixed assets			
Tangible assets	11		1,184
Goodwill	12		5,391
			<hr/>
			6,575
Current assets			
Stocks	13	27	
Debtors (all due within one year)	14	1,098	
Cash at bank and in hand		3,608	
		<hr/>	
		4,733	
Creditors: amounts falling due within one year	15	(1,272)	
		<hr/>	
Net current assets			3,461
			<hr/>
Total assets less current liabilities			10,036
			<hr/>
Creditors: amounts falling due after more than one year	16		(3,958)
			<hr/>
Net assets			6,078
			<hr/>
Capital and reserves			
Called up share capital	20		73
Share premium account			7,185
Profit and loss account			(1,180)
			<hr/>
Shareholders' funds			6,078
			<hr/>

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 3rd November 2017 and were signed on its behalf by:



Anthony Impey
Director

Company registered number 10064229

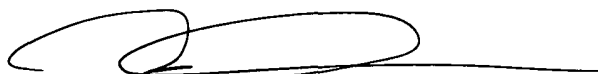
Company Balance Sheet

At 31 December 2016

	Note	2016 £000	2016 £000
Current assets			
Debtors (all due within one year)	14	9,070	
Net current assets			9,070
Total assets less current liabilities			9,070
Creditors: amounts falling due after more than one year	16		(1,919)
Net assets			7,151
Capital and reserves			
Called up share capital	20		73
Share premium account			7,185
Profit and loss account			(107)
Shareholders' funds			7,151

The accompanying notes form part of these financial statements.

These financial statements were approved by the board of directors on 3rd November 2017 and were signed on its behalf by:



Anthony Impey
Director

Company registered number 10064229

Statement of Changes in Equity - Group

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at incorporation	-	-	-	-
New share capital	73	7,185	-	7,258
Loss for period	-	-	(1,180)	(1,180)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	73	7,185	(1,180)	6,078
	<hr/>	<hr/>	<hr/>	<hr/>

Statement of Changes in Equity - Company

	Called up Share capital	Share Premium account	Profit and loss account	Total equity
	£000	£000	£000	£000
Balance at incorporation	-	-	-	-
New share capital	73	7,185	-	7,258
Loss for period	-	-	(107)	(107)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	73	7,185	(107)	7,151
	<hr/>	<hr/>	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement
for period ended 31 December 2016

	<i>Note</i>	2016 £000	2016 £000
Cash flows from operating activities			
Loss for the period			(1,180)
Adjustments for:			
Depreciation, amortisation and impairment		631	
Interest receivable		(1)	
Interest payable and similar expenses		223	
			<u>853</u>
			(327)
(Increase)/decrease in trade and other debtors		361	
(Increase)/decrease in stocks		3	
(Decrease)/increase in trade and other creditors		(194)	
			<u>170</u>
			(153)
Tax paid			(4)
Net cash from operating activities			<u>(157)</u>
Cash flows from investing activities			
Acquisition of a subsidiary	2	(7,040)	
Acquisition of tangible fixed assets	10	(365)	
Net cash from investing activities			<u>(7,405)</u>
Cash flows from financing activities			
Proceeds from the issue of share capital	20	7,257	
Proceeds from new loan	17	3,628	
Repayment of borrowings		(670)	
Payment of finance lease liabilities	18	(9)	
Net cash from financing activities			<u>10,206</u>
Net increase in cash and cash equivalents			2,644
Cash and cash equivalents at 1 st June 2016 (on acquisition)			964
Cash and cash equivalents at 31 December 2016			<u><u>3,608</u></u>

The accompanying notes form part of these financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Optimity Holdings Limited (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 04414356 and the registered address is 5, Fleet Place, London EC4M 7RD.

These Group and parent company financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("*FRS 102*") as issued in August 2014. The amendments to FRS 102 issued in July 2015 have been applied. The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time;
- No separate parent company Cash Flow Statement with related notes is included; and
- Certain disclosures required by FRS 102.26 Share Based Payments; and,
- Certain disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year include the carrying value and amortisation period for goodwill. This is discussed in note 1.5. The recoverability of debtors in Optimity Limited may also have an impact upon these financial statements.

Notes (continued)

1 Accounting policies (continued)

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

These financial statements have been prepared on a going concern basis as the directors are of the opinion, based upon forecasts and available cash resources, that both the Company and group can meet liabilities as they fall due.

1.3 Foreign currency

Transactions in foreign currencies are translated to the Company's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account except for differences arising on the retranslation of qualifying cash flow hedges and items which are fair valued with changes taken to other comprehensive income, which are recognised in other comprehensive income.

1.4 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Where parts of an item of tangible fixed assets have different useful lives, they are accounted for as separate items of tangible fixed assets, for example land is treated separately from buildings.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. All other leases are classified as operating leases. Leased assets acquired by way of finance lease are stated on initial recognition at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, including any incremental costs directly attributable to negotiating and arranging the lease. At initial recognition, a finance lease liability is recognised equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The present value of the minimum lease payments is calculated using the interest rate implicit in the lease. Lease payments are accounted for as described at 1.19 below.

The company assesses at each reporting date whether tangible fixed assets (including those leased under a finance lease) are impaired.

Depreciation is charged to the profit and loss account on a straight-line basis over the estimated useful lives of each part of an item of tangible fixed assets. Leased assets are depreciated over the shorter of the lease term and their useful lives. Land is not depreciated. The estimated useful lives are as follows:

- plant and equipment 3 - 4 years
- fixtures and fittings 3 - 4 years

Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

1.5 Intangible assets, goodwill and negative goodwill

Research and development

Expenditure on research activities is recognised in the profit and loss account as an expense as incurred.

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development. Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads and capitalised borrowing costs. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Goodwill generated upon the acquisition of Optimity Limited is being amortised over 10 years.

Other intangible assets

Expenditure on internally generated goodwill and brands is recognised in the profit and loss account as an expense as incurred.

Other intangible assets that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses.

The cost of intangible asset acquired in a business combination are capitalised separately from goodwill if the fair value can be measured reliably at the acquisition date.

1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the first-in first-out principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. In the case of manufactured stocks and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

Notes (continued)

1 Accounting policies (continued)

1.7 Impairment excluding stocks

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's or group's non-financial assets, other than stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.8 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

Notes (continued)

1 Accounting policies (continued)

1.9 Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are recognised at the best estimate of the amount required to settle the obligation at the reporting date.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the company treats the guarantee contract as a contingent liability until such time as it becomes probable that the company will be required to make a payment under the guarantee.

1.10 Turnover

Revenue on recurring services are recognised according to period covered. Revenue from installations where title passes to the client is recognised at point equipment is handed over to client. Revenue from installations where title remains with the Company are spread over life of contract.

1.11 Expenses

Operating lease

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation, in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Finance lease

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability using the rate implicit in the lease. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred.

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expenses on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains.

Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the company's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Notes (continued)

1 Accounting policies (continued)

1.12 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

1.13 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary undertakings made up to 31 December 2016. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account

1.14 Preferred Shares

The Company has issued A, B & C preferred ordinary shares that carry a 10% preferred cumulative dividend. Declaration of such dividends are at the discretion of the board and are therefore only recorded through profit and loss and as a liability (if not paid) if declared by the board. Therefore these have been classed as equity. If such dividends had been declared for the period to 31st December 2016, there would have been an additional liability of £425,000.

1.15 Cost of Investment

Investments in subsidiaries are recorded at cost less any provision for impairment.

Notes (continued)

2 Acquisitions and disposal of businesses

Acquisitions in the current period

On 1st June 2016, the Group acquired 100% of the shares and voting rights of Optimity Limited and its subsidiaries Inception IT Limited and Technology House IT Solutions Limited for £6.3m plus expenses. Optimity Limited and its subsidiaries are providers of high speed connectivity and other IT services to small and medium sized businesses primarily. These businesses contributed all the revenue and results for the period.

Effect of acquisition

The acquisition had the following effect on the Company's/Group's assets and liabilities.

	Book value at acquisition £000	Adjustments to fair value £000	Recognised values on acquisition £000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	1,116		1,116
Stocks	30		30
Trade and other debtors	1,532	(51)	1,481
Cash	964		964
Interest-bearing loans and borrowings	(670)		(670)
Trade and other creditors	(1,242)	(365)	(1,607)
	<hr/>	<hr/>	<hr/>
Net identifiable assets and liabilities	1,730	(416)	1,314
	<hr/>	<hr/>	<hr/>
Total cost of business combination:			
Consideration paid:			
Initial cash price paid			6,300
			<hr/>
Costs directly attributable to the business combination			740
			<hr/>
Total consideration			7,040
			<hr/>
Goodwill on acquisition			5,726
			<hr/>

The expected useful life of goodwill stemming from this acquisition is 10 years.

Notes (continued)

3 Turnover

	2016 £000
One-off services	768
On-going services	2,705
	<hr/>
Total turnover	3,473
	<hr/>

All turnover relates to the UK

4 Expenses and auditor's remuneration

Included in profit are the following:

	2016 £000
Auditors remuneration	
Audit of these financial statements	25
Amounts receivable by the Company's auditor in respect of:	
Audit of financial statements of subsidiaries	18
Audit-related assurance services	4
Taxation compliance services	11
Other taxation services	10
	<hr/>

5 Staff numbers and costs

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

	Number of employees Group 2016	Company 2016
Staff	56	-
Directors	2	-
	<hr/>	<hr/>
	58	-
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2016 Group £000	2016 Company £000
Wages and salaries	1,249	-
Social security costs	128	-
Contributions to defined contribution plans	6	-
	<hr/>	<hr/>
	1,383	-
	<hr/>	<hr/>

Notes (continued)

6 Directors' remuneration

	2016 Group £000
Directors' remuneration	77
Company contributions to money purchase pension plans	-
Amounts paid to third parties in respect of directors' services	-
	<u>77</u>

The highest paid director received emoluments in the period of £56,000. No pension contributions were made on his behalf.

The Directors received £5,000 in respect of services to the Company.

	Number of directors 2016
Retirement benefits are accruing to the following number of directors under: Money purchase schemes	-
	<u>-</u>

7 Other interest receivable and similar income

	2016 Group £000
Interest received	1
	<u>1</u>
Total interest receivable and similar income	<u>1</u>

8 Interest payable and similar expenses

	2016 Group £000
Hire Purchase interest paid	8
Interest on 10% secured loan notes	215
	<u>223</u>
Total other interest payable and similar expenses	<u>223</u>

Notes (continued)

9 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

	2016 £000	£000
<i>Current tax</i>		
Current tax on income for the period		-
Adjustments in respect of prior periods		-
		<hr/>
Total current tax		-
<i>Deferred tax</i>		
Origination and reversal of timing differences		
Change in tax rate	106	
	<hr/>	
Total deferred tax	106	
Tax expense(income) relating to changes in accounting policies and material error		
		<hr/>
Total tax		106
		<hr/>

	2016 £000	2016 £000	2016 £000
	Current tax	Deferred tax	Total tax
Recognised in Profit and loss account	-	106	106
	<hr/>	<hr/>	<hr/>
Total tax	-	106	106
	<hr/>	<hr/>	<hr/>

Analysis of current tax recognised in profit and loss

	2016 £000
UK corporation tax	-
	<hr/>
Total current tax recognised in profit and loss	-
	<hr/>

Reconciliation of effective tax rate

	2016 £000
Loss for the period	(1,180)
Total tax expense	106
	<hr/>
Loss excluding taxation	(1,074)
Tax using the UK corporation tax rate of 20 % (2015: 20 %)	(214)
Non-deductible expenses	77
Current year losses for which no deferred tax asset was recognised	243
	<hr/>
Total tax expense included in profit or loss	106
	<hr/>

Notes (continued)

9 Taxation (continued)

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

No deferred tax asset was recognised because of uncertainty as to timing of recoverability.

10 One-off items

	2016 Group £000
Amounts paid post acquisition of Optimity to third parties	163
Adjustment to carrying values on transfer of trade and assets of Inception IT Limited and Technology House IT Solutions Limited to Optimity Limited	164
	<hr/> 327 <hr/>

11 Tangible fixed assets - Group

	Plant and Equipment £000	Fixtures & fittings £000	Total £000
Cost			
Acquisition on 1 June 2016	1,066	50	1,116
Additions	336	29	365
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	1,402	79	1,471
	<hr/>	<hr/>	<hr/>
Depreciation and impairment			
Depreciation charge for the period	270	27	297
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	270	27	297
	<hr/>	<hr/>	<hr/>
Net book value			
At 1 June 2016	1,066	50	1,116
	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,132	52	1,184
	<hr/>	<hr/>	<hr/>

Leased plant and machinery

At year end the net carrying amount of plant & machinery leased under a finance lease was £60,000. The leased equipment secures lease obligations (see note 21).

Notes (continued)

12 Goodwill

	Group £000
<i>Cost</i>	
At beginning of period	-
On acquisition Optimity Limited & subsidiaries	5,725
	<hr/>
At end of period	5,725
	<hr/>
<i>Amortisation</i>	
At beginning of period	-
Provided in period	334
	<hr/>
At end of period	334
	<hr/>
<i>Net book value</i>	
At 31 December 2016	5,391
	<hr/>
At incorporation	-
	<hr/>

The goodwill relates to the excess of consideration and associated costs over the fair value of net assets of Optimity Limited acquired on 1st June 2016. See note 2.

Notes (continued)

13 Stocks

	2016 Group	2016 Company
	£000	£000
Finished goods	27	-
	<u>27</u>	<u>-</u>

14 Debtors

	2016 Group	2016 Company
	£000	£000
Trade debtors	794	-
Amounts owed by group undertakings in which the company has a participating interest	-	9,070
Other debtors	126	-
Prepayments and accrued income	178	-
	<u>1,098</u>	<u>9,070</u>
Due within one year	1,098	9,070
Due after more than one year	-	-
	<u>1,098</u>	<u>9,070</u>

15 Creditors: amounts falling due within one year

	2016 Group	2016 Company
	£000	£000
Obligations under finance leases (see note 18)	13	-
Trade creditors	422	-
Taxation and social security	327	-
Other creditors	4	-
Accruals and deferred income	496	-
Amounts owed to other Group companies	-	-
Corporation tax	10	-
	<u>1,272</u>	<u>-</u>

16 Creditors: amounts falling after more than one year

	2016 Group	2016 Company
	£000	£000
Secured 10% Loan notes (see note 17)	3,843	1,919
Obligations under finance leases (see note 18)	9	-
Deferred tax	106	-
	<u>3,958</u>	<u>1,919</u>

Notes (continued)

17 Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group and Company's interest-bearing loans and borrowings, which are measured at amortised cost.

	2016 Group £000	2016 Company £000
Creditors falling due after more than one year		
Secured 10% Loan notes	3,843	1,919
Finance lease liabilities	9	-
	<u>3,852</u>	<u>1,919</u>
Creditors falling due within less than one year		
Finance lease liabilities	13	-
	<u>13</u>	<u>-</u>

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of maturity	Repay- ment schedule	2016 Group £000	2016 Company £000
Secured 10% Vendor Loan notes	sterling	10%	2021	None	1,919	1,919
Secured 10% Investor Loan notes	sterling	10%	2021	None	1,924	-
					<u>3,843</u>	<u>1,919</u>

18 Other interest-bearing loans and borrowings

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Minimum lease payments 2016 Group £000	Minimum lease payments 2016 Company £000
Less than one year	13	-
Between one and five years	9	-
	<u>22</u>	<u>-</u>

Notes (continued)

19 Employee benefits

Defined contribution plans

The Group operates a number of defined contribution pension plans.

The total expense relating to these plans in the current period was £6,000. Amount outstanding at year end was £3,000.

20 Capital and reserves

Share capital

	Ordinary shares 2016
In thousands of shares	
On incorporation	-
Issued for cash	7,257
	<hr/>
On issue at 31 December – fully paid	7,257
	<hr/>
	2016 £000
<i>Allotted, called up and fully paid</i>	
3,630,813 preferred ordinary A shares of £0.01 each	36
3,509,384 preferred ordinary B shares of £0.01 each	36
116,322, preferred ordinary C shares of £0.01 each	1
392,147 ordinary D shares of £0.001 each	-
100,000 ordinary E shares of £0.001 of each	-
	<hr/>
	73
	<hr/>
Shares classified in shareholders' funds	73
	<hr/>
	73
	<hr/>

Only holders of A preferred shares or B preferred shares are entitled to attend or vote at any shareholder meeting.

All preferred shares carry rights to an annual 10% cumulative dividend. D and E ordinary shares can receive a dividend if declared by the Board once all preferred dividends to date have been paid.

On any return of capital, monies will be paid first to meet unpaid preferred dividends, then to repay the nominal value of any preferred shares capital. Any excess over these payments is made pro-rata to the nominal value of preferred shares and ordinary shares (excluding E ordinary shares) as if they were one class of share. and then pro-rata to all shareholders. D and E ordinary shares are not redeemable. D ordinary shares may receive a dividend. E ordinary shares are not entitled to dividends but may receive an income allocation.

21 Operating leases

Non-cancellable operating lease rentals are payable as follows:	2016 Group
	£000
Less than one year	34
Between one and five years	69
	<hr/>
	103
	<hr/>

During the period, £97,000 was recognised as an expense in the profit and loss account in respect of operating leases.

Notes (continued)

22 Commitments

Capital commitments

Neither the Group or Company had contractual commitments to purchase tangible fixed assets at the period-end.

23 Related parties

Identity of related parties with which the Group or Company has transacted

Both the Group and Company have Secured 10% Loan notes in favour of funds managed by FPE Capital LLP and Anthony Impey. These are disclosed in note 16 and below.

Remuneration to directors, including fees paid to FPE Capital LLP, are disclosed in note 6 and below

Transactions with key management personnel

Total compensation of key management personnel (including the directors) amounted to £56,000.

	Administrative expenses incurred from Group 2016 £000	Administrative expenses incurred from Company 2016 £000
Entities with control, joint control or significant influence	124	124
Key management personnel of the company or its Parent	56	5
	<u>180</u>	<u>129</u>

	Receivables outstanding Group 2016 £000	Receivables outstanding Company 2016 £000	Creditors/Loans outstanding Group 2016 £000	Creditors/Loans outstanding Company 2016 £000
Entities with control, joint control or significant influence	-	-	1,924	-
Key management personnel of the Company	-	-	1,919	1,919
Entities over which Company has control, joint control or significant influence (subject to wholly owned exemption)	-	9,070	-	-
	<u>-</u>	<u>9,070</u>	<u>3,843</u>	<u>1,919</u>

The Group charged fees of £32,000 to FPE Capital during the period.

24 Ultimate parent company and parent company of larger group

There is no ultimate controlling party of the Company.

No other group financial statements include the results of the Company. The consolidated financial statements of this group are available to the public and may be obtained from 5, Fleet Place, London, EC4M 7RD.