

# Financial Statements

## Gaia Technologies Plc

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For the Period Ended 31 March 2017

Registered number: 03141826

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## Company Information

<b>Directors</b>	Anas Abdulmawla Ayad Abdulmawla Kevin Evans Katerina Patouchea
<b>Company secretary</b>	Katerina Patouchea
<b>Registered number</b>	03141826
<b>Registered office</b>	Woodlands House Parc Britannia Parc Menai Bangor Gwynedd LL57 4FA
<b>Independent auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Royal Liver Building Liverpool L3 1PS
<b>Bankers</b>	Lloyds TSB plc Aled House St David's Park Deeside Flintshire CH5 3XA  Bank of Scotland 1 Kingsway Cardiff CF10 3YB
<b>Solicitors</b>	Elwyn Jones & Company 123 High Street Bangor Gwynedd LL57 1NT

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## **Chairman's Statement**

**For the Period Ended 31 March 2017**

The chairman presents his statement for the period.

### **Company's Performance**

Gaia has aligned its financial year with the Government's, now ending in March. This helps us, as over 98% of our business comes from different Government departments. Gaia has expanded its offering beyond the RM1050 framework used by the Education Department, to other frameworks used by all Public Sector Departments. These are listed below:

Digital Outcomes and Specialists 2 (RM1043iv)  
Cyber Security Services 2 (RM3764ii)  
G-Cloud 9 (RM1557ix)  
Technology Services 2 (RM3804).

In our accounts ended 31 March 2017 Gaia has continued its organic growth, achieving £21.6 million for the 15-month period, compared to the £16.2 million in year ended 31 December 2015. That represents a 6.8% growth after taking into account the period alignment.

The company is forecasting a steady growth for this coming year to £20.3m, for the financial year ended 31 March 2018, and £22.6m for the year after. This growth will come through the development of its Managed Service range of products as well as its innovative software developments.

The above forecast is not taking in to account our inclusion in the above prestigious frameworks, as it is not unusual to take a company a year to establish roots and to develop a customer base, but we would be anticipating greater growth figures in later years.

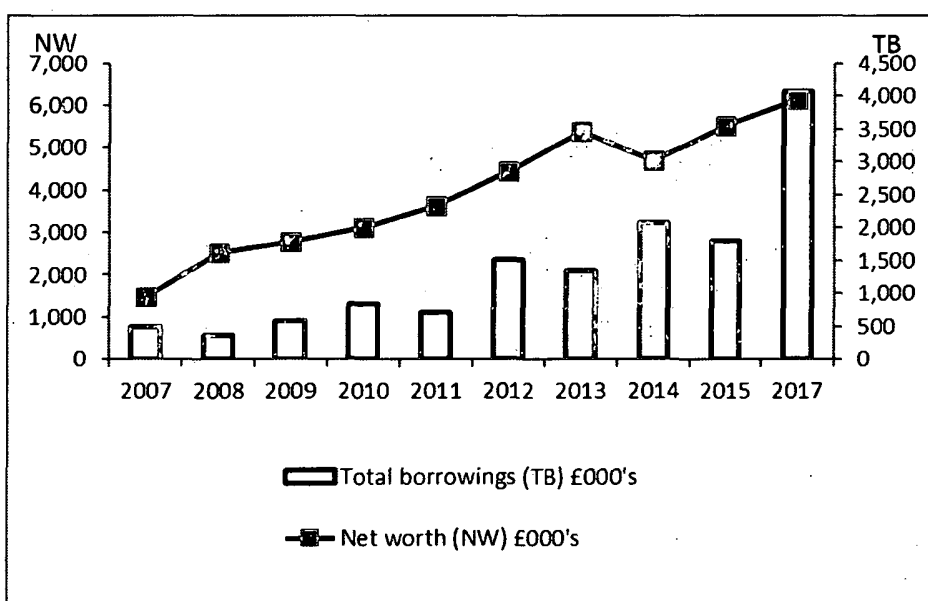
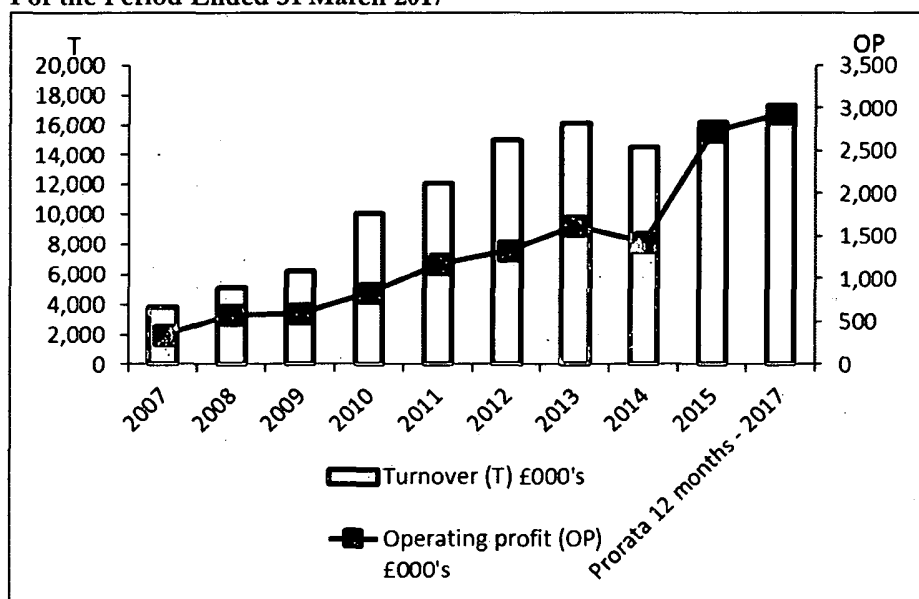
The UK education budget is still coming under pressure and continues to affect schools, and thus their expenditure in many areas, especially ICT. After salaries, ICT is seen as the largest cost centre in many schools. Gaia, over the past two years has managed to reduce school's overall ICT costs, whilst continuing to maintain a high quality of services and minimise the impact on our profitability and growth.

### **Revenue and Income**

Our revenue figure was £21.6 million in comparison to our 2015 revenue figure of £16.2 million which, after the period alignment, gives an effective increase of 6.8%. This has been a good result of growth figures for Gaia, especially as it has been achieved in a very tight and competitive market, with customers' reduced budget. This is in contrast to our leading competitors, who saw significant reductions in their turnover and profitability.

## Chairman's Statement

For the Period Ended 31 March 2017



Our gross profit rose by 9.9% from £10.32 million to £11.34 million when reviewed on a pro rata 12 month period. This was largely due to the increase of sales of managed services.

Our profit after tax has decreased by 24.35% from £1.27 million to £963K adjusted annually. This has been largely related to us sponsoring a technology school (Logic Studio School) in London, with £234k out of our own profit. We don't envisage a repeat of such a level of sponsorship next year.

The results still gave us a profit net margin from continuing operations of 5.5% for this year.

### Earnings and Dividends

The Company EPS in 2016 (earnings per share) were 25.5 pence, down from 27 pence for 2015, and the return on investment was at 19.7 down from 2015 (23.0%). Having said that, these figures ignore the high level of sponsorship we have made this year for a company of our size. Dividends of £600k were paid this 15 months period ending March 2017.

## **Chairman's Statement**

**For the Period Ended 31 March 2017**

### **Balance Sheet**

The Company Balance Sheet has increased in line with last year's Company performance to show Net Assets of £6.127 million, up from £5.523 million, an increase of 10.93%. We anticipate continued growth of the Balance Sheet in 2018 to over £7.5 million.

The total borrowing in relation to balance sheet has increased 66.4% from 32.45% for 2015, this is largely due to continuing funding the growth of the company, and the reduced reliance on normal banking facilities. The management finds this approach is more flexible in supporting the company's growth.

### **Performance summary**

The Gaia management team are looking forward to continuous organic growth in the coming years. We believe that our current financial position with a strong balance sheet, solid recurring revenue, sustainable and strong profit streams, and growing managed services adoption in the educational market will continue to make it easier for us to attract funding to support our growth in Managed Services.

### **Innovations & Development**

Gaia has continued to focus on the few areas below:

The 3D Visual Learning software environment, by further developing the system and increasing the content level, as well as developing the software to suit the Chinese market, where we hope to see large sales in the future.

We have continued development on multiple technology interfaces for learners, and this includes Augmented Reality and Virtual Reality development in all areas

Gaia has released a few Apps, in particular an app to improve the understanding of Numeracy in Education and to make mathematics an exciting subject to learn.

Gaia has developed a complete Primary Computing Framework for 5-11 year old students which promises to change Digital literacy and computing learning competency in Primary schools in the UK.

Gaia continues to work with the University of Cardiff Medical Department to produce a software app with high end graphics, as well as world leading Microscopic Graphics, showing complex body and organ functions. This promises to be a world leading product in University level education. This project will take one further year to complete and we will be able to market it across the world.

Other areas of development has focused on hardware related to visualising of 3D and the development in Virtual Reality headsets, where the headsets would not need to link to an external computer and thus no need to be tethered. These headsets will have eye tracking functionality to allow graphical interfacing. This project started late in the period and we expect to show results in 2017/18.

The company continues to see 3D development as a good future investment in the company and in education, and that has been a positive differentiator from our competitors. Our sales from the 3D division continue to grow and diversify and we forecast that sales of 3D technology in education will exceed £1.0 million in 2017/18.

### **Future & Growth**

Gaia's Directors are very positive about the company's future in both national and international education markets. In 2016 our win rate was just over 30% of all tenders bid for, and to date Gaia's win rate has been 58% of all school tenders we have bid for under the RM1050 framework for ICT.

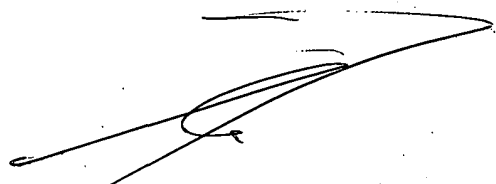
## **Chairman's Statement**

**For the Period Ended 31 March 2017**

Currently we are on target for 17.6% growth to achieve our forecast for 2018 of £20.3 million turnover, and we are confident of funding this growth from our profitability, together with our financial providers who are supporting the funding of our managed services.

The educational managed services market is continuing to grow and having access to the new framework Technology Services 2 (RM3804) will help us expand our managed services to other Government Departments. The company's focus continues to be in London, and over the last year Gaia has exceeded the target of 50 managed service schools and now aims to achieve over 100 managed service schools in London over the next two years.

The team is determined to make the company the leading managed service provider in the UK education market.



Name Anas Abdulmawla  
Director

Date 1/18/2017

# **Strategic Report**

**For the Period Ended 31 March 2017**

## **Business review**

A review of the performance of the Company during the period and its future developments is included in the Chairman's statement set out on page 1.

## **Principal risks and uncertainties**

The company uses various financial instruments. These include loans, cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations.

The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

### **Liquidity risk**

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash safely and profitably. The company policy throughout the year has been to ensure continuity of funding. Short-term flexibility is achieved by the use of an overdraft facility which was fully repaid during the prior year and also other short term borrowings.

### **Interest rate risk**

The company finances its operations through a mixture of retained profits and bank borrowings. The company exposure to interest rate fluctuations on its borrowings is managed by the use of fixed rate borrowings so repayments are fixed and known.

### **Credit risk**

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings assigned by international credit-rating agencies. The principal credit risk arises therefore from its trade debtors.

In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history.



## Strategic Report

For the Period Ended 31 March 2017

### Financial key performance indicators

The directors have monitored the progress of the overall company strategy and the individual strategic elements by reference to certain key performance indicators:

- Revenue growth
- Gross profit margin
- Total borrowings compared to net worth

Commentary on these key financial performance indicators are included in the Chairman's statement on pages 1 to 4.

### Policy on payment of creditors

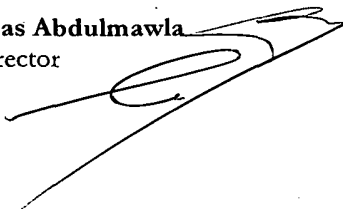
The company's policy is to pay creditors within time of the due date of agreed terms.

The company has agreed credit terms with their major supplier to the end of the following month of supply, thus giving the company up to 60 days of credit.

However for some projects those terms have been extended further to suit the project implementation. At the year end the company had trade creditor days of 45 days (2015: 125 days).

This report was approved by the board on 1 August 2017 and signed on its behalf.

Anas Abdulmawla  
Director



## **Directors' Report**

**For the Period Ended 31 March 2017**

The directors present their report and the financial statements for the period ended 31 March 2017.

### **Principal activity**

The principal activity of the company is that of delivering advance information and communication technology solutions to its customers, including the supply of computer hardware, connectivity, support and maintenance.

During the period, the directors agreed to change the year end of the company to 31 March.

### **Results and dividends**

The profit for the period, after taxation, amounted to £1,204,163 (2015: £1,273,060).

The directors recommended the payment of a dividend amounting to £600,000 (2015: £450,000).

### **Charitable donations**

During the period the company has made charitable donations amounting to £241,930 (2015: £756).

Gaia Technologies Plc has sponsored Logic Studio School (LSS) based in London, a member of the Tudor Park Education Trust (TPET). The school is a specialist technology school with a strong vocational learning at its heart, the school working with Gaia has adopted an Industry approach to teaching and learning technology, which would results in graduating students ready to work in tech Industries where there are huge shortages for qualified technical staff, or go to Universities but with a high level of technical knowledge. Gaia sponsorship value for the school was £234k in 2016, this already had a significant impact on teaching and learning with impressive results.

### **Directors**

The directors who served during the period were:

Anas Abdulmawla  
Ayad Abdulmawla  
Kevin Evans  
Katerina Patouchea

## Directors' Report (continued)

For the Period Ended 31 March 2017

### Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Directors' Reports may differ from legislation in other jurisdictions.

### Post balance sheet events

There have been no significant events affecting the Company since the year end.

### Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

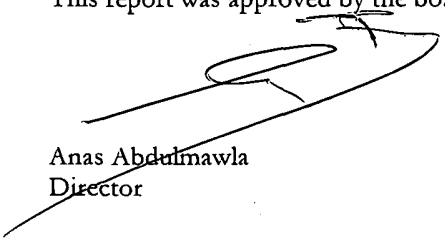
The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 487(2) of the Companies Act 2006.

## **Directors' Report (continued)**

**For the Period Ended 31 March 2017**

This report was approved by the board on 1 August 2017

and signed on its behalf.



Anas Abdulmawla  
Director

## Independent Auditor's Report to the Members of Gaia Technologies Plc

We have audited the financial statements of Gaia Technologies Plc for the period ended 31 March 2017, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity, the Statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 8, 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](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2017 and of its profit for the period 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.



## Independent Auditor's Report to the Members of Gaia Technologies Plc (continued)

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Chairman's Statement, the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with those financial statements; and
- the Chairman's Statement, Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report under the Companies Act 2006**

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Chairman's Statement, the Strategic Report and the Directors' Report.

### **Matters on which we are required to report by exception**

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

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

*Grant Thornton OK up*

Emma Stoddart (Senior Statutory Auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Liverpool

Date: *1 August 2017*

# Profit and Loss Account

For the Period Ended 31 March 2017

		15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
	Note		
Turnover - continuing operations	4	21,646,485	16,212,775
Cost of sales		(7,469,623)	(5,896,520)
<b>Gross profit</b>		<b>14,176,862</b>	<b>10,316,255</b>
Distribution costs		(55,501)	(68,542)
Administrative expenses		(10,449,546)	(7,556,685)
Other operating income	5	-	30,852
<b>Operating profit - continuing operations</b>	6	<b>3,671,815</b>	<b>2,721,880</b>
Interest payable and similar expenses	10	(2,344,337)	(1,250,285)
<b>Profit before tax</b>		<b>1,327,478</b>	<b>1,471,595</b>
Tax on profit	11	(123,315)	(198,535)
<b>Profit for the period</b>		<b>1,204,163</b>	<b>1,273,060</b>

The notes on pages 18 to 38 form part of these financial statements.

## Statement of Comprehensive Income

For the Period Ended 31 March 2017

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Profit for the financial period	<u>1,204,163</u>	<u>1,273,060</u>

There was no other comprehensive income for 2017 (2015: £Nil).

The notes on pages 18 to 38 form part of these financial statements.



## Balance Sheet

As at 31 March 2017

	Note	31 March 2017 £	31 December 2015 £
<b>Fixed assets</b>			
Intangible assets	12	559,999	444,980
Tangible assets	13	4,655,838	5,357,226
		<u>5,215,837</u>	<u>5,802,206</u>
<b>Current assets</b>			
Stocks	14	796,290	375,749
Debtors: amounts falling due after more than one year	15	6,100,305	3,798,519
Debtors: amounts falling due within one year	15	4,359,679	5,215,727
Cash at bank and in hand	24	345,509	187,040
		<u>11,601,783</u>	<u>9,577,035</u>
Creditors: amounts falling due within one year	16	(5,846,011)	(6,180,998)
<b>Net current assets</b>		<u>5,755,772</u>	<u>3,396,037</u>
<b>Total assets less current liabilities</b>		<u>10,971,609</u>	<u>9,198,243</u>
Creditors: amounts falling due after more than one year	17	(4,685,085)	(3,507,626)
<b>Provisions for liabilities</b>			
Deferred tax	20	(158,900)	(167,156)
<b>Net assets</b>		<u><u>6,127,624</u></u>	<u><u>5,523,461</u></u>
<b>Capital and reserves</b>			
Called up share capital	21	235,559	235,559
Share premium account	22	236,427	236,427
Capital redemption reserve	22	82,606	82,606
Profit and loss account	22	5,573,032	4,968,869
		<u><u>6,127,624</u></u>	<u><u>5,523,461</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1/8/17

  
Anas Abdulmawla

## Statement of Changes in Equity

For the Period Ended 31 March 2017

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2016	235,559	236,427	82,606	4,968,869	5,523,461
<b>Comprehensive income for the period</b>					
Profit for the period	-	-	-	1,204,163	1,204,163
<b>Total comprehensive income for the period</b>	-	-	-	1,204,163	1,204,163
Dividends: Equity capital	-	-	-	(600,000)	(600,000)
<b>Total transactions with owners</b>	-	-	-	(600,000)	(600,000)
<b>At 31 March 2017</b>	<b>235,559</b>	<b>236,427</b>	<b>82,606</b>	<b>5,573,032</b>	<b>6,127,624</b>

## Statement of Changes in Equity

For the Period Ended 31 December 2015

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 January 2015	235,559	236,427	82,606	4,145,809	4,700,401
<b>Comprehensive income for the year</b>					
Profit for the year	-	-	-	1,273,060	1,273,060
<b>Total comprehensive income for the year</b>	-	-	-	1,273,060	1,273,060
Dividends: Equity capital	-	-	-	(450,000)	(450,000)
<b>Total transactions with owners</b>	-	-	-	(450,000)	(450,000)
<b>At 31 December 2015</b>	<b>235,559</b>	<b>236,427</b>	<b>82,606</b>	<b>4,968,869</b>	<b>5,523,461</b>

The notes on pages 18 to 38 form part of these financial statements.

## Statement of Cash Flows

For the Period Ended 31 March 2017

	31 March 2017 £	31 December 2015 £
<b>Cash flows from operating activities</b>		
Profit for the financial period	1,204,163	1,273,060
<b>Adjustments for:</b>		
Amortisation of intangible assets	652,582	508,123
Depreciation of tangible assets	1,273,734	1,068,732
Government grants	-	(30,852)
Interest paid	2,344,337	1,250,285
Taxation charge	123,315	198,535
(Increase)/decrease in stocks	(420,541)	97,718
(Increase) in debtors	(1,445,738)	(19,685)
(Decrease) in creditors	(1,618,709)	(660,944)
Corporation tax (paid)	(199,560)	(2,948)
<b>Net cash generated from operating activities</b>	<b>1,913,583</b>	<b>3,682,024</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(767,601)	(448,674)
Purchase of tangible fixed assets	(327,363)	(7,470)
Sale of tangible fixed assets	-	6,434
Government grants received	-	30,852
Hire purchase and finance lease interest paid	(273,166)	(206,095)
<b>Net cash from investing activities</b>	<b>(1,368,130)</b>	<b>(624,953)</b>
<b>Cash flows from financing activities</b>		
New secured loans	4,540,853	1,100,000
Repayment of loans	(2,261,124)	(917,853)
Receipt from sale and leaseback arrangement	1,500,000	-
Sale and leaseback repayments	(192,728)	-
Repayment of finance leases	(1,589,482)	(1,638,453)
Preference shares treated as debt - issued	286,668	138,112
Dividends paid	(600,000)	(450,000)
Interest paid	(2,071,171)	(1,044,190)
<b>Net cash used in financing activities</b>	<b>(386,984)</b>	<b>(2,812,384)</b>

## Statement of Cash Flows (continued)

For the Period Ended 31 March 2017

	31 March 2017 £	31 December 2015 £
<b>Net increase in cash and cash equivalents</b>	<b>158,469</b>	<b>244,687</b>
Cash and cash equivalents at beginning of period	187,040	(57,647)
<b>Cash and cash equivalents at the end of period</b>	<b>345,509</b>	<b>187,040</b>
<b>Cash and cash equivalents at the end of period comprise:</b>		
Cash at bank and in hand	345,509	187,040
	<b>345,509</b>	<b>187,040</b>

The notes on pages 18 to 38 form part of these financial statements.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 1. General information

Gaia Technologies Plc is a public company limited by shares and incorporated and registered in England and Wales. Its registered office (which also acts as the principal place of business) is Woodlands House, Parc Britannia, Parc Menai, Bangor, Gwynedd LL57 4FA.

The principal activity of the company is set out in the Director's Report on page 7.

## 2. Accounting policies

### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

### 2.2 Going concern

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Managed service income is provided under finance lease arrangements. The sale is recognised on installation. The finance income is treated in accordance with the lessor accounting policy for equipment sale within the notes of the accounts.

The income from support and maintenance contracts related to Managed services is recognised on a straight line basis over the life of the contract.

All other sales of software and hardware are recognised on despatch, and invoiced accordingly.

### 2.4 Intangible assets

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

Other intangible assets are shown at cost and are amortised to the Profit and loss account over their estimated economic life. This is currently estimated to be three years.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as set out below.

Depreciation is provided on the following basis:

Freehold property	- 5% straight line
Land	- Nil
Short leasehold telecommunication masts	- 10% straight line
Plant and machinery	- 10% straight line
Motor vehicles	- 25% reducing balance
Fixtures and fittings	- 15% straight line
IT and office equipment	- 15% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Profit and loss account.

### 2.6 Operating leases: Lessee

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

### 2.7 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

### 2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.9 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

### 2.10 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Investments in non-convertible preference shares and in non-puttable ordinary and preference shares are measured:

- at fair value with changes recognised in the Profit and Loss Account if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Profit and Loss Account.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

### 2.12 Government grants

Grants are accounted for under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Profit and loss account at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Profit and loss account in the same period as the related expenditure.

### 2.13 Foreign currency translation

#### Functional and presentation currency

The Company's functional and presentational currency is GBP.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Profit and loss account within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Profit and loss account within 'other operating income'.

### 2.14 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.



# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.15 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

### 2.16 Leased assets: Lessor

Where assets leased to a third party give rights approximating to ownership (finance leases), the assets are treated as if they had been sold outright. The total gross earnings from a finance lease are allocated to accounting periods so as to produce a constant periodic rate of return on the lessors' net cash investments in the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is credited to profit or loss over the term of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts owed by the lessee.

### 2.17 Leased assets: Lessee

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to profit or loss over the shorter of estimated useful economic life and the term of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to profit or loss over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

### 2.18 Pensions

#### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

### 2.19 Borrowing costs

All borrowing costs are recognised in the Profit and Loss Account in the period in which they are incurred.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 2. Accounting policies (continued)

### 2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and Loss Account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

### 2.21 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Profit and Loss Account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

### 2.22 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which is considered to be 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project the expenditure is treated as if it were all incurred in the research phase only.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements in conformity with generally accepted accounting policies requires the directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates. In this regard, the directors believe that the critical accounting policies where judgements or estimates are necessarily applied are summarised below:

- Stock provisions
- Doubtful debt provisions
- Provisions for claims on contracts
- The unguaranteed residual value of equipment after the period of the managed service contracts and the assessment management have made on any impairment loss that will arise in respect of this value.

## 4. Turnover

The whole of the turnover is attributable to the principal activity of the company being that of delivering advance information and communication technology solutions to its customers, including the supply of computer hardware, connectivity, support and maintenance.

Analysis of turnover by country of destination:

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
United Kingdom	<u>21,646,485</u>	<u>16,212,775</u>

## 5. Other operating income

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Government grants receivable	<u>-</u>	<u>30,852</u>

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 6. Operating profit

The operating profit is stated after charging:

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Depreciation of tangible fixed assets:		
- owned by the company	899,372	532,779
- held under finance leases	374,361	535,953
Exchange differences	85,123	33,544
Other operating lease rentals	2,196,936	1,337,320
Amortisation of deferred research and development expenditure	652,582	508,123

## 7. Auditor's remuneration

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Fees payable to the Company's auditor for the audit of the Company's annual accounts	22,370	25,025
<b>Fees payable to the Company's auditor and its associates in respect of:</b>		
Tax compliance services	3,500	3,500

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 8. Staff costs

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

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Wages and salaries	4,988,209	3,420,689
Social security costs	531,142	359,752
Cost of defined contribution scheme	50,669	34,769
	<u>5,570,020</u>	<u>3,815,210</u>

Staff costs includes wages and salaries amounting to £708,010 (2015: £405,485) which have been capitalised during the year.

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

15 month period ended 31 March 2017 No.	12 month period ended 31 December 2015 No.
<u>118</u>	<u>104</u>

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**9. Directors' remuneration**

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Remuneration	395,288	289,807
Company contributions to defined contribution pension schemes	13,500	10,800
	<u>408,788</u>	<u>300,607</u>

During the period retirement benefits were accruing to 4 directors (2015: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £113,333 (2015: £86,250).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,750 (2015: £3,000).

Directors' remuneration includes remuneration and contributions to the defined contribution pension schemes amounting to £49,797 (2015: £22,959) which has been capitalised during the year.

**10. Interest payable and similar charges**

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Bank interest payable	1,723,893	853,649
Dividends on preference shares treated as debt	286,667	163,112
Finance leases and hire purchase contracts	273,166	206,095
Other interest payable	60,611	27,429
	<u>2,344,337</u>	<u>1,250,285</u>

## Notes to the Financial Statements

For the Period Ended 31 March 2017

## 11. Taxation

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
<b>Corporation tax</b>		
Current tax on profits for the year	143,342	205,948
Adjustments in respect of previous periods	(11,771)	-
<b>Total current tax</b>	<b>131,571</b>	<b>205,948</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(8,256)	(7,413)
<b>Taxation on profit on ordinary activities</b>	<b>123,315</b>	<b>198,535</b>

## Factors affecting tax charge for the period/year

The tax assessed for the period/year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20%). The differences are explained below:

	15 month period ended 31 March 2017 £	12 month period ended 31 December 2015 £
Profit on ordinary activities before tax	1,327,478	1,471,596
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20%)	265,496	294,319
<b>Effects of:</b>		
Non-tax deductible amortisation of intangible fixed assets	-	11,890
Expenses not deductible for tax purposes	58,081	31,045
Capital allowances for period/year in excess of depreciation	29,525	(23,170)
Adjustment in research and development tax credit leading to a decrease in the tax charge	(199,576)	(115,549)
Adjustments to tax charge in respect of prior periods	(11,771)	-
Movements in respect of deferred tax changes in tax rate	(18,440)	-
<b>Total tax charge for the period/year</b>	<b>123,315</b>	<b>198,535</b>

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**11. Taxation (continued)****Factors that may affect future tax charges**

There was a reduction in the main rate of corporation tax to 19% from 1 April 2017, and following Budget 2016 announcements the rate will fall to 17% in 2020.

**12. Intangible assets**

	Development costs £	Goodwill £	Total £
<b>Cost</b>			
At 1 January 2016	2,895,038	131,309	3,026,347
Additions	767,601	-	767,601
At 31 March 2017	<u>3,662,639</u>	<u>131,309</u>	<u>3,793,948</u>
<b>Amortisation</b>			
At 1 January 2016	2,450,058	131,309	2,581,367
Charge for the period	652,582	-	652,582
At 31 March 2017	<u>3,102,640</u>	<u>131,309</u>	<u>3,233,949</u>
<b>Net book value</b>			
At 31 March 2017	<u>559,999</u>	<u>-</u>	<u>559,999</u>
At 31 December 2015	<u>444,980</u>	<u>-</u>	<u>444,980</u>



## Notes to the Financial Statements

For the Period Ended 31 March 2017

## 13. Tangible fixed assets

	Freehold property £	Short leasehold telecom masts £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Other fixed assets £	Total £
<b>Cost</b>							
At 1 January 2016	1,053,240	624,000	76,903	302,681	7,582,872	2,633,452	12,273,148
Additions	-	-	463	-	571,883	-	572,346
At 31 March 2017	1,053,240	624,000	77,366	302,681	8,154,755	2,633,452	12,845,494
<b>Depreciation</b>							
At 1 January 2016	208,115	290,000	76,903	159,975	3,551,425	2,629,504	6,915,922
Charge for the period	65,677	78,000	-	39,426	1,086,683	3,948	1,273,734
At 31 March 2017	273,792	368,000	76,903	199,401	4,638,108	2,633,452	8,189,656
<b>Net book value</b>							
At 31 March 2017	779,448	256,000	463	103,280	3,516,647	-	4,655,838
At 31 December 2015	845,125	334,000	-	142,706	4,031,447	3,948	5,357,226

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**13. Tangible fixed assets (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 March 2017 £	31 December 2015 £
Equipment	<u>1,102,868</u>	<u>2,140,267</u>

**14. Stocks**

	31 March 2017 £	31 December 2015 £
Goods for resale	<u>796,290</u>	<u>375,749</u>

Stock recognised in cost of sales during the year as an expense was £6,536,219 (2015: £5,080,365). An impairment loss of £7,212 (2015: £4,886) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

**15. Debtors**

	31 March 2017 £	31 December 2015 £
<b>Due after more than one year</b>		
Managed service debtor	<u>6,100,305</u>	<u>3,798,519</u>

The managed service debtor includes £618,020 (2015: £Nil) that falls due greater than five years.

	31 March 2017 £	31 December 2015 £
<b>Due within one year</b>		
Trade debtors	1,595,963	2,133,224
Other debtors	347	-
Managed service debtor	2,488,955	2,709,564
Prepayments and accrued income	274,414	372,939
	<u>4,359,679</u>	<u>5,215,727</u>

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 15. Debtors (continued)

An impairment loss of £Nil (2015: £Nil) was recognised against trade debtors.

Included within the managed service debtor is an amount of £1,101,474 (2015: £601,763) in respect of the unguaranteed residual value of the equipment provided under the managed service contracts that is accruing to the company.

## 16. Creditors: Amounts falling due within one year

	31 March 2017 £	31 December 2015 £
Bank and other loans	2,003,058	655,440
Trade creditors	1,723,196	2,288,475
Corporation tax	143,342	211,331
Other taxation and social security	169,986	403,610
Obligations under finance lease and hire purchase contracts	1,035,508	1,296,149
Other creditors	548,241	979,078
Accruals and deferred income	222,680	346,915
	<u>5,846,011</u>	<u>6,180,998</u>

The bank and other loans are secured by a fixed and floating charge over the company's assets, together with a fixed charge over book debts.

There were personal guarantees for the bank loan of £500,000 each from Anas Abdulmawla and Ayad Abdulmawla. These have now been released by the bank. The directors have also entered into personal guarantees for a number of the other loans.

The finance lease and hire purchase contracts are secured on the assets concerned.

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**17. Creditors: Amounts falling due after more than one year**

	31 March 2017	31 December 2015
	£	£
Bank and other loans	2,068,675	1,136,564
Net obligations under finance leases and hire purchase contracts	987,291	763,877
Directors loan accounts	78,164	342,898
Redeemable preference shares (note 21)	1,550,955	1,264,287
	<u>4,685,085</u>	<u>3,507,626</u>

**Secured loans**

The bank and other loans are secured by a fixed and floating charge over the company's assets, together with a fixed charge over book debts.

There were personal guarantees for the bank loan of £500,000 each from Anas Abdulmawla and Ayad Abdulmawla. These have now been released by the bank. The directors have also entered into personal guarantees for a number of the other loans.

The finance lease and hire purchase contracts are secured on the assets concerned.

**18. Loans**

Analysis of the maturity of loans is given below:

	31 March 2017	31 December 2015
	£	£
<b>Amounts falling due within one year</b>		
Bank and other loans	2,003,058	655,440
<b>Amounts falling due 1-2 years</b>		
Bank and other loans	594,744	265,521
<b>Amounts falling due 2-5 years</b>		
Bank and other loans	1,116,541	467,262
<b>Amounts falling due after more than 5 years</b>		
Bank and other loans	357,390	403,781
	<u>4,071,733</u>	<u>1,792,004</u>

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**19. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	31 March 2017 £	31 December 2015 £
Within one year	1,035,508	1,296,149
Between 1-2 years	674,078	630,214
Between 2-5 years	313,213	133,663
	<u>2,022,799</u>	<u>2,060,026</u>

**20. Deferred taxation**

	2017 £	2015 £
At beginning of year	(167,156)	(174,569)
Charged to the profit or loss	8,256	7,413
<b>At end of year</b>	<u>(158,900)</u>	<u>(167,156)</u>

The provision for deferred taxation is made up as follows:

	31 March 2017 £	31 December 2015 £
Accelerated capital allowances	(160,194)	(168,525)
Other short term timing differences	1,294	1,369
	<u>(158,900)</u>	<u>(167,156)</u>

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**21. Share capital**

	31 March 2017 £	31 December 2015 £
<b>Shares classified as equity</b>		
<b>Allotted, called up and fully paid</b>		
4,711,172 (2015: 4,711,172) Ordinary shares of £0.05 each	<u>235,559</u>	<u>235,559</u>
	31 March 2017 £	31 December 2015 £
<b>Shares classified as debt</b>		
<b>Allotted, called up and fully paid</b>		
1,550,955 (2015: 1,264,287) Preference shares of £1 each	<u>1,550,955</u>	<u>1,264,287</u>

**Shares classified as debt**

1,070,000 £1 preference shares were issued on 14 March 2014 followed by a further 56,175 £1 preference shares on 31 July 2014, a further 78,832 £1 preference shares on 31 January 2015, a further 84,280 £1 preference shares on 31 July 2015, a further 66,250 £1 preference shares on 31 January 2016, a further 94,887 £1 preference shares on 31 July 2016 and a further 101,529 £1 preference shares on 31 January 2017.

The preference shares carry a right to a fixed dividend of 14% per annum, payable bi-annually. The preference shares shall rank on a return of capital on liquidation or otherwise in priority to ordinary shares, from the amount available for distributions among the members, the amount payable to the holders of preference shares will be the amounts paid up on such shares together with a sum equal to any arrears and accruals of the fixed dividend thereon to be calculated down to the date of the return of capital.

The holders of the preference shares shall not be entitled to vote upon any resolution, other than a resolution for winding up the company or reducing its share capital or a resolution varying or abrogating any of the special rights attached to such shares, unless at the date of the notice convening the meeting at which such resolution is to be proposed the dividend on the preference shares is six months in arrears. The preference shares are redeemable at par by the holders on the delivery of thirteen months notice in writing to the company. The company may redeem the shares at any time.

# Notes to the Financial Statements

For the Period Ended 31 March 2017

## 22. Reserves

### Share premium account

Includes any premiums received on issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium.

### Capital redemption reserve

This reserve is used where the shares are redeemed or bought back, the company is required to either replenish the capital by issuing fresh shares in lieu of the redeemed or bought back shares or to transfer their funds to this reserve.

### Profit & loss account

Includes all current and prior period retained profits and losses.

## 23. Dividends

	31 March 2017 £	31 December 2015 £
Dividends paid on equity share capital of £0.127 per share (2015: 0.0955).	600,000	450,000
Dividends paid on redeemable preference shares at 14% per annum	286,667	163,112
	<u>886,667</u>	<u>613,112</u>

## 24. Cash and cash equivalents

	31 March 2017 £	31 December 2015 £
Cash at bank and in hand	<u>345,509</u>	<u>187,040</u>

## Notes to the Financial Statements

For the Period Ended 31 March 2017

**25. Financial instruments**

	31 March 2017 £	31 December 2015 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<u>10,531,079</u>	<u>8,828,348</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>10,217,768</u>	<u>9,073,683</u>

Financial assets measured at amortised cost comprise cash and other assets that have the contractual right to receive cash.

Financial liabilities measured at amortised cost comprise other liabilities which have a contractual obligation to deliver cash.

**26. Capital commitments**

At 31 March 2017 and 31 December 2015, the company had no capital commitments.

**27. Contingent liabilities**

At 31 March 2017 and 31 December 2015, the company had no contingent liabilities.

**28. Commitments under operating leases**

At 31 March 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	31 March 2017 £	31 December 2015 £
Not later than 1 year	1,193,732	1,053,705
Later than 1 year and not later than 5 years	480,761	200,947
	<u>1,674,493</u>	<u>1,254,652</u>



## Notes to the Financial Statements

For the Period Ended 31 March 2017

### 29. Related party transactions

Anas Abdulmawla, Ayad Abdulmawla and Katerina Patouchea, shareholders and directors of the company are also shareholders and directors in Gaia Wireless Limited.

Anas Abdulmawla, Ayad Abdulmawla, Kevin Evans and Katerina Patouchea, shareholders and directors of the company are also shareholders and directors in Fibre & Wireless Limited.

During the year the company made purchases from Gaia Wireless Limited of £45,600 (2015: £16,200) and from Fibre & Wireless Limited of £Nil (2015: £Nil).

At the year end the balance due to Gaia Wireless Limited is £36,160 (2015: £33,800).

At the year end the balance due to Fibre & Wireless Limited is £Nil (2015: £3,536).

Creditors include directors loan accounts in respect of the four directors which amounted to £78,164 (2015: £342,898). The directors loan accounts do not incur any interest and are repayable at the discretion of the directors who have confirmed the loans will not be called for repayment within 12 months.

The individuals that are considered by the company to be key management personnel have received remuneration totalling £547,707 (2015: £401,105).