CMS Computers Limited

Annual report and financial statements

Registered number 3236595

Year ended 30 June 2015

Contents

Strategic report

The Directors present the Strategic Report and audited Financial Statements for the year ended 30 June 2015.

Principal activities

The principal activity of the company is the manufacture of personal computers, notebooks and the provision of associated services including technical and customer support.

Business Model

The Company's focus sector is Business to Business based on the following business model;

- Strong relationships with major technology suppliers to provide quality components at optimum costs
- Best practice manufacturing processes and testing to minimise failure rates and provide reliable solutions
- Delivery a strong proposition to customers which is a balance of quality components, reliable build and competitive pricing
- Responsive UK support to underpin the value of the brand and provide prompt customer service and technical support when needed

Markets are under continuous review as changes in technology can very quickly render offerings obsolete. As the largest UK manufacturer CMS can change the product produced very quickly to respond to supplier component changes, competitor offerings and customer requirements.

CMS employees are customer focussed and trained to ensure good knowledge levels and deliver an excellent customer experience.

Business review and results

Sales decreased to £27,965k from £33,594k. A decrease of £5,629k (16.8%). Profit before tax is £897k, down from £1,669k in the year to June 2014. The decrease is £772k (46%).

The Directors are pleased with the result despite the reductions reported in sales and profit. The sector has been abnormally difficult in the reporting period due to the contraction of desktop sales for all major suppliers. This has been exacerbated by major players offering severe discounts to reduce over-stocks coupled with the liquidation of Windows XP systems and Microsoft's Bing promotion. CMS has focussed on protecting margin and as a consequence sales and associated profit have reduced.

Principal risks and uncertainties

The Board of Directors have identified that principal risks and uncertainties facing the company fall into four main headings. These are business continuity, people, economic conditions and financial.

Business Continuity

The Company relies on its IT systems to provide Web Sites, e-commerce, core business applications, warehouse management systems and internal management tools.

CMS utilise a combination of VIP group resources and specialist third parties to ensure all applications are fully supported. The hardware infrastructure is subject to a Directors' quarterly review to agree IT strategy which includes Business Recovery and the purchase, replacement and maintenance of major IT assets.

There are continuous reviews of IT security measures to ensure all log-ins, server access, anti-virus utilities and software versions are current and maintain appropriate levels of protection for the Company.

People

The Company recognise the importance and value of employees and seeks to ensure all staff are treated fairly and provided with good working conditions within a supportive culture. Employees' conditions of service are clearly laid out in the staff handbooks. Regular communications are made by staff briefings and meetings with employees being involved in decisions affecting their areas.

Strategic report

Staff turnover remains at low levels and the Directors believe that the risk to the business resulting from the loss of key employees is minimal.

Credit

The Company is at risk from credit availability for customers and from suppliers. Risk is managed by working directly with the Company's insurance broker, credit insurers, key suppliers and by developing a strong relationship with the company's bankers. In addition CMS may offer customers discretionary credit limits based on requirements, trading history and risk.

Financial

Financial risks are identified as banking, currency management and cashflow.

Banking

CMS maintains a strong relationship with its bankers to ensure there are adequate facilities, with headroom, to meet all financial commitments.

Currency Management

Purchases and sales can be in US Dollars and Euros. This has the potential to expose the company to substantial risk. The Directors actively manage currency risk out of the business so that core activities and margins will not be affected by financial markets. This is achieved by the use of currency models, forward contracts and bank balances coupled with expected debtor and creditor receipts and payments.

Cash flow

Cash risk can constrain business development and the company's ability to meet its targets. The Directors manage stock, debtors and creditors at strategic levels to ensure daily operations are in line with the company's plans. Terms are agreed with all partners in advance and these are applied diligently. Stock is maintained at levels to meet customer needs but slow moving and obsolete are realised at the earliest opportunity. In conclusion, management believe the risk from cash flow constraints remains low.

Key Performance Indicators

The company's Management focus on several key measures to monitor and manage performance. Margin performance is reviewed at many levels from individual customers and products to top level. This is compared to budgets and prior year performance.

The company pays all creditors to terms to maintain continuity of supplies, assist in developing relationships and maintain reputation. To aid this creditor days are closely monitored.

To protect the company's assets and build lasting relationships, whilst minimising risks, strict debtor KPI's are employed including the management and issue of discretionary credit limits and monitoring debtor days.

In a sector where technology evolves quickly stock obsolescence and price erosion can have serious financial consequences. The company employs KPI's including stock days, slow moving provisions and end of life re-valuations.

By order of the board

Mr. JS Sahni

Director

10/02/16

VIP House
4 Hardwick Grange
Woolston
Warrington
WA1 4RF

Directors' Report

Results and dividend

The Financial Statements report on a year of contraction in both sales and profitability, but this is underpinned by a strengthening Balance Sheet which is consistent with the Group's strategy.

Retained profit is £748k (2014:£1,347k) which is a decrease of 44%. No dividends were made in the year.

Directors

The directors who held office during the reporting period were as follows:

Mr J S Sahni

Mr I R Fraser

Mr D S Roberts

Mr M A Taylor

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 Company's auditor is aware of that information.

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

Mr. J S Sahni

Director

VIP House
4 Hardwick Grange
Woolston
Warrington
WA1 4RF

10 February 2016

Statement of Directors' Responsibilities in respect of the Strategic report, the Directors' report and the Financial Statements

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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG LLP
8 Princes Parade
Liverpool
L3 1QH

Independent auditor's report to the members of CMS Computers Limited

We have audited the financial statements of CMS Computers Limited for the year ended 30 June 2015 set out on pages 7 to 17. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 company's affairs as at 30 June 2015 and of its profit for the year 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 matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of CMS Computers Limited *(continued)*

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:

we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and

- 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.

Will Baker (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade,
Liverpool,
L3 1QH

10/2/16

Profit and Loss Account
for the 12 months ended 30 June 2015

	Note	**30 June 2015 £000**	30 June 2014 £000
Turnover	*2*	**27,965**	33,594
Cost of sales		**(24,101)**	(29,302)
Gross profit		**3,864**	4,292
Distribution costs		**(804)**	(696)
Administrative expenses		**(2,464)**	(2,398)
Other operating income		**487**	642
Operating profit		**1,083**	1,840
Interest payable and similar charges	*5*	**(186)**	(172)
Interest received		**-**	1
Profit on ordinary activities before taxation		**897**	1,669
Tax on profit on ordinary activities	*6*	**(149)**	(322)
Profit for the financial period	*15*	**748**	1,347

There are no recognised gains or losses for the current and prior period other than those presented in the profit and loss account. Accordingly no statement of total recognised gains or losses has been prepared. The results for the current and prior periods are derived from continuing operations.

The notes on pages 10 to 17 form part of these financial statements.

Balance Sheet
at 30 June 2015

	Note	2015		2014	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	7		36		40
Intangible assets	8		10		17
			46		57
Current assets					
Stocks	9	5,829		7,002	
Debtors	10	3,410		5,598	
Cash at bank and in hand		233		182	
		9,472		12,782	
Creditors: amounts falling due within one year	11	(7,600)		(11,989)	
Net current assets			1,872		793
Total assets less current liabilities			1,918		850
Creditors: amounts falling due after more than one year	12		(320)		-
Net assets			1,598		850
Capital and reserves					
Called up share capital	14		10		10
Profit and loss account	15		1,588		840
Shareholders' funds			1,598		850

Included within debtors is a deferred tax asset of £6,000 (*2014: £13,000*) which is recoverable in more than one year.

The notes on pages 10 to 17 form part of these financial statements.

These financial statements were approved by the board of directors on 10th February 2016 and were signed on its behalf by:

Mr. J.S. Sahni
Director

Reconciliation of Movements in Shareholders' Funds

for the year ended 30 June 2015

	30 June 2015 £000	30 June 2014 £000
Profit for the financial period	**748**	1,347
Dividends on shares classified in shareholders' funds	**-**	-
Net addition to shareholders' funds	**748**	1,347
Opening shareholders' funds/(deficit)	**850**	(497)
Closing shareholders' funds	**1,598**	850

The notes on pages 10 to 17 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated financial statements.

As the Company is a wholly owned subsidiary of VIP Computer Centre Limited, the Company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which are wholly owned by the Group. The consolidated financial statements of VIP Computer Centre Limited, within which this Company is included, can be obtained from the address given in note 19.

Going Concern

The directors believe that the Company has sufficient financial resources and is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Fixed assets and depreciation

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

Freehold buildings	-	Over the term of the lease
Plant and machinery	-	Over 5 years
Motor vehicles	-	Over 3 years
Fixtures and fittings	-	Over 7 years
Computer equipment	-	Over 4 years

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Post retirement benefits

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently-administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

1 Accounting policies *(continued)*

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax. Turnover is recognised on the delivery of goods to customers.

Taxation

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

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

2 Notes to the profit and loss account

	30 June 2015	30 June 2014
	£000	£000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation and other amounts written off tangible fixed assets:		
- Owned	**26**	30
Auditor's remuneration:		
- Audit of these financial statements	**16**	16
- Other services relating to taxation	**4**	4

	30 June 2015	30 June 2014
	£000	£000
Turnover		
United Kingdom	**27,965**	33,594
Overseas	**-**	-
	27,965	33,594

Notes *(continued)*

3 Remuneration of directors

The directors' aggregate remuneration in respect of qualifying services were:

	30 June 2015	30 June 2014
	£000	£000
Remuneration receivable	**177**	166
	177	166

4 Staff numbers and costs

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

	Number of employees	
	30 June 2015	30 June 2014
Selling and distribution	**8**	9
Administration	**49**	42
	57	51

The aggregate payroll costs of these persons were as follows:

	30 June 2015	30 June 2014
	£000	£000
Wages and salaries	**1,734**	1,764
Social security costs	**153**	158
Other pension costs	**8**	8
	1,895	1,930

5 Interest payable and similar charges

	30 June 2015	30 June 2014
	£000	£000
On bank loans and overdrafts	**186**	172

Notes *(continued)*

6 Taxation

(a) Analysis of charge in year:

	30 June 2015	30 June 2014
	£000	£000
UK corporation tax		
Current tax on income for the year	**189**	154
Adjustments in respect of prior years	**(47)**	(6)
Total current tax charge	**142**	148
Deferred tax (see note 3)	**7**	174
Tax on profit on ordinary activities	**149**	322

(b) Factors affecting the tax charge for the current year

The tax assessed on the profit on ordinary activities for the year is lower *(2014: lower)* than the standard rate of corporation tax in the UK of 20.75% *(2014: 22.50%)*, as explained below:

	30 June 2015	30 June 2014
	£000	£000
Current tax reconciliation		
Profit on ordinary activities before tax	**897**	1,669
Current tax at 20.75% (2014:*22.50%*)	**186**	376
Effects of:		
Expenses not deductible for tax purposes	**1**	1
Capital allowances in excess of depreciation	**1**	2
Adjustments to tax charge in respect of previous periods	**(47)**	(6)
Unrelieved tax losses and other deductions arising in period	**-**	(36)
Other short term timing differences	**1**	-
Utilisation of brought forward losses	**-**	(190)
Fixed asset differences	**-**	1
Total current tax charge (see above)	**142**	148

c) Factors that may affect future current and total tax charges

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and to 20% (effective 1 April 2015) were substantively enacted on 2 July 2013 respectively. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet.

Notes *(continued)*

7 Tangible fixed assets

	Plant and machinery £000	Fixtures and Fittings £000	Motor vehicles £000	Office equipment £000	Total £000
Cost					
At beginning of period	31	55	27	177	290
Additions	-	9	-	6	15
At end of period	31	64	27	183	305
Depreciation					
At beginning of period	24	46	27	153	250
Charge for year	3	5	-	11	19
At end of period	27	51	27	164	269
Net book value					
At 30 June 2015	**4**	**13**	**-**	**19**	**36**
At 30 June 2014	7	9	-	24	40

8 Intangible fixed assets

	Software £000
Cost	
At beginning of period	22
Additions	-
At end of period	22
Amortisation	
At beginning of period	5
Charge for the year	7
At end of period	12
Net book value	
At 30 June 2015	**10**
At 30 June 2014	17

Notes *(continued)*

9 Stocks

	2015	2014
	£000	£000
Raw materials and consumables	4,401	5,559
Finished goods and goods for resale	1,428	1,443
	5,829	7,002

10 Debtors: amounts falling due within one year

	2015	2014
	£000	£000
Trade debtors	2,329	5,088
Deferred tax asset (see note 13)	6	13
Amounts owed by group undertakings	431	163
Prepayments and accrued income	644	334
	3,410	5,598

11 Creditors: amounts falling due within one year

	2015	2014
	£000	£000
Bank loans and overdrafts	2,157	4,024
Trade creditors	3,007	4,982
Amounts owed to group undertakings	1,356	1,480
Other taxation and social security	166	886
Other creditors and accruals	805	463
Corporation tax	109	154
	7,600	11,989

Included within amounts owed to group undertakings is a £480,000 loan, repayable in equal £40,000 monthly instalments. The loan attracts interest at 3% over the prevailing Bank of England interest rate.

Included within bank loans and overdrafts is amounts owing to HSBC Invoice Financing (UK) Limited of £946,562 *(2014: £3,584,133)*. These amounts form part of a group facility which is secured against all of the assets of the group. The total group invoice financing balance as at 30 June 2015 was £7,084,584 *(2014: £11,571,520)*.

Also included within bank loans and overdrafts is an overdraft of £201,106 *(2014: £nil)* and an import loan facility of £1,009,736 *(2014: £nil)* owing to HSBC Bank plc. These amounts are secured by debenture, including fixed charge over all present freehold and leasehold property, first fixed charge over book and other debts, chattels, goodwill and uncalled capital, both present and future.

Notes *(continued)*

12 Creditors: amounts falling due after more than one year

	2015	2014
	£000	£000
Amounts owed to group undertakings	320	-
	320	-

Included within amounts owed to group undertakings is a loan of £320,000. The loan is not repayable before 30 June 2016 and thereafter will be subject to renegotiation. The loan attracts interest at 3% over the prevailing Bank of England interest rate.

13 Deferred tax asset

	Deferred Taxation £000
At beginning of year	13
Adjustments in respect of prior periods (see note 6)	(7)
At end of year	6

The elements of deferred taxation are as follows:

	2015	2014
	£000	£000
Difference between accumulated depreciation and capital allowances	4	11
Short term timing differences	2	2
	6	13

14 Called up share capital

	2015	2014
Allotted, called up and fully paid	£000	£000
10,100 ordinary shares of £1 each	10	10

15 Reserves

	Profit and loss Account £000
At beginning of period	840
Profit for year	748
At end of period	**1,588**

Notes *(continued)*

16 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £8,000 *(2014: £8,000).*

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

17 Commitments

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

	2015		2014	
	Land and buildings	**Other**	Land and Buildings	Other
	£000	**£000**	£000	£000
Operating leases which expire:				
Within one year	**-**	**-**	-	1
In the second to fifth years inclusive	**-**	**58**	-	43
Over five years	**-**	**-**	-	-
	-	**58**	-	44

18 Contingent liabilities

At the year end there were contingent liabilities of £400,000 (2014: £898,592) in respect of a guarantee with suppliers.

19 Controlling party

The Company is a subsidiary undertaking of VIP Computer Centre Limited a company incorporated in the UK. The ultimate parent company is VIP (Group) Limited.

The smallest group in which the results of the Company are consolidated is that headed by VIP Computer Centre Limited. The largest group in which the results of the Company are consolidated is that headed by VIP (Group) Limited.

No other Group financial statements include the results of the Company. The consolidated financial statements of these groups are available to the public and may be obtained from VIP House, 4 Hardwick Grange, Woolston, Warrington, WA1 4RF.