

CMS Computers Limited

Annual report and financial statements

Registered number 3236595

Year ended 30 June 2016

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Strategic Report

The Directors present the Strategic Report and audited Financial Statements for the year ended 30 June 2016.

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 of desktops CMS can change the product produced very quickly to respond to technology and 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

In the year to June 2016 sales decreased to £23,070k (2015: £27,965k). A decrease of £4,895k (17.5%).

Loss before tax is £186k to June 2016 (2015: profit of £897k). The decrease is £1,083k.

The year to June 2016 has been disappointing and continued to track the decline over the last two years. In the second half of the year fundamental business issues have been identified to address and turnaround CMS performance. Senior personnel have changed and many legacy deficiencies have been clearly identified with appropriate provisions being made in these financial statements. The deficiencies addressed include rework and liquidation of aged and surplus stock, resolution of outstanding customer disputes, rationalisation of the product range, appointing strategic preferred suppliers and providing greatly improved levels of customer support. Whilst provisions have been made, many of the remedial actions have taken place in the following financial year.

Brexit had negligible impact on the performance to June 2016 as it occurred just before the year end. Post year end there has been pressure on margins as CMS purchase approximately 80% of components in US Dollars. Whilst CMS attempt to pass on cost increases through price increases to customers, there were a number of fixed price contracts which have diluted margin in the first quarter of the year to June 2017.

CMS will focus on a comprehensive and clear quality product range coupled with industry leading UK based support and repairs. The Directors believe this will return the optimum quality of margin and reverse recent performance.

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.

Strategic Report (Continued)

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. 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 maintaining 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 to minimise any impact on core activities and margins as a result of movements in the 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.

Cashflow

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.

Strategic Report (Continued)

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 company level. This is compared to budgets, targets 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.

KPI's are applied to all customer service and repairs with focus on first time fixes, prompt responses and fast repair turnaround to produce an industry leading customer experience.

By order of the board

Mr J.S. Sahni
Director

4 Hardwick Grange
Woolston
Warrington
WA1 4RF

9 Dec 2016

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 loss is £216k (2015: £748k) which is a decrease of 129%. 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 (resigned 8th April 2016)
Mr D S Roberts (resigned 8th July 2016)
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

4 Hardwick Grange
Woolston
Warrington
WA1 4RF

9 Dec 2016

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

The directors are responsible for preparing the Strategic report, 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 they have elected to prepare the 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 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 judgements 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
United Kingdom

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 2016 set out on pages 8 to 20. 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 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). 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 web-site 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 2016 and of its loss 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

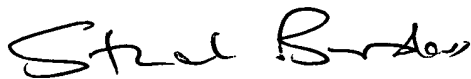
In our opinion the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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:

- 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.



Stuart Burdass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
8 Princes Parade
Liverpool
L3 1QH
Date: 14/11/16

Profit and Loss Account
for year ended 30 June 2016

	<i>Note</i>	2016 £000	2015 £000
Turnover		23,070	27,965
Cost of sales		(19,914)	(24,101)
Gross profit		3,156	3,864
Distribution costs		(723)	(804)
Administrative expenses		(2,458)	(2,464)
Other operating income		-	487
Operating (loss)/profit		(25)	1,083
Interest payable and similar charges	<i>5</i>	(161)	(186)
(Loss)/profit on ordinary activities before taxation		(186)	897
Tax on (loss)/profit on ordinary activities	<i>7</i>	(30)	(149)
(Loss)/profit for the financial year	<i>13</i>	(216)	748

All the above results relate to continuing activities.

Balance Sheet
at 30 June 2016

	<i>Note</i>	2016 £000	£000	2015 £000	£000
Fixed assets					
Intangible assets	7		2		10
Tangible assets	8		25		36
			<hr/>		<hr/>
			27		46
Current assets					
Stock	9	4,270		5,829	
Debtors	10	4,627		3,410	
Cash at bank and in hand		749		233	
		<hr/>		<hr/>	
		9,646		9,472	
Creditors: amounts falling due within one year	11	(8,291)		(7,600)	
		<hr/>		<hr/>	
Net current assets			1,355		1,872
			<hr/>		<hr/>
Total assets less current liabilities			1,382		1,918
Creditors: amounts falling due after more than one year	12		-		(320)
			<hr/>		<hr/>
Net assets			1,382		1,598
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	14		10		10
Profit and loss account	14		1,372		1,588
			<hr/>		<hr/>
Shareholders' funds			1,382		1,598
			<hr/>		<hr/>

These financial statements were approved by the board of directors on 9th December 2016 and were signed on its behalf by:


Mr. J. S. Sahni
Director

Company registered number: 3236595

Notes

(forming part of the financial statements)

1 Accounting policies

CMS Computers Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These 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 and effective immediately 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.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at transition date rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before transition date the Company continued to account for lease incentives under previous UK GAAP.

The Company's ultimate parent undertaking, VIP (Group) Limited includes the Company in its consolidated financial statements. The consolidated financial statements of VIP (Group) Limited are available to the public and may be obtained from VIP House, 4 Hardwick Grange, Woolston, Warrington, WA1 4RF. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of VIP (Group) Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The 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 Company proposes to continue to adopt the reduced disclosure framework of FRS 102 in its next financial statements.

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

1.1 Basis of preparation

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

1.2 Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Notes (continued)

1 Accounting policies (continued)

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. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.4 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Interest-bearing borrowings classified as basic financial instruments

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.5 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.

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.

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

Plant and machinery	- Over 5 years
Motor vehicles	- Over 3 years
Fixtures and fittings	- Over 7 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)

1.6 Intangible assets

Other intangible assets

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

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Software 3 years

Intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that an intangible asset may be impaired.

1.7 Stocks

Stocks are stated at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Net realisable value is based on estimated selling price less further costs to disposal. In determining the cost of goods purchased for resale, the weighted average purchase price is used.

1.8 Impairment excluding stocks and deferred tax assets

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 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 or cash-generating unit 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. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

Notes (continued)

1 Accounting policies (continued)

1.8 Impairment excluding stocks and deferred tax assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

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.

1.9 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.

1.10 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.

1.11 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, which is the point at which risk and reward of ownership passes to the customer.

1.12 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.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, 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)

1.13 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.

1.14 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. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes (continued)

2 Expenses and auditor's remuneration

Included in profit/loss are the following:

	2016 £000	2015 £000
Depreciation – assets owned by the company	12	26
Auditor's remuneration:		
- Audit of these financial statements	22	16
- Other services relating to taxation	4	4
	<u>26</u>	<u>20</u>

3 Directors' remuneration

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

	2016 £000	2015 £000
Remuneration receivable	103	177
	<u>103</u>	<u>177</u>

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 2016	2015
Selling and distribution	8	8
Administration	46	49
	<u>54</u>	<u>57</u>

The aggregate payroll costs of these persons were as follows:

	2016 £000	2015 £000
Wages and salaries	1,559	1,734
Social security costs	135	153
Contributions to defined contribution plans	28	8
	<u>1,722</u>	<u>1,895</u>

5 Interest payable and similar charges

	2016 £000	2015 £000
On bank loans and overdrafts	161	186
	<u>161</u>	<u>186</u>

Notes (continued)

6 Taxation

Total tax expense recognised in the period	2016 £000	2015 £000
<i>Domestic current year</i>		
UK corporation tax	-	189
Adjustments in respect of prior periods	90	(47)
Total current tax	<u>90</u>	<u>142</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(60)	7
Adjustments in respect of prior periods	-	-
Effect of tax rate change on opening balance	-	-
Total deferred tax	<u>(60)</u>	<u>7</u>
Total tax	<u>30</u>	<u>149</u>

Factors affecting the tax charge for the year

The current tax charge for the period is lower (2015: lower) than the standard rate of corporation tax in the UK of 20%, (2015: 20.75%). The differences are explained below.

Profit/(on ordinary activities before taxation	(186)	897
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20% (2015: 20.75%)	(37)	186
Effects of:		
Expenses not deductible for tax purposes	1	1
Capital allowances in excess of depreciation	-	1
Adjustments in respect of prior periods	59	(47)
Other short term timing differences	-	1
Effect of tax rate change on deferred tax	7	7
Total tax expense included in profit or loss	<u>30</u>	<u>149</u>

Factors affecting the tax charge in future periods

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were 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. The deferred tax liability at 31 March 2016 has been calculated based on these rates.

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 and reduce the deferred tax asset.

Notes (continued)

7 Intangible assets

	Software £000
Cost	
Balance at 1 July 2015	22
Additions	-
	<u>22</u>
At end of period	<u>22</u>
Amortisation and impairment	
Balance at 1 July 2015	12
Amortisation for the year	8
	<u>20</u>
At end of period	<u>20</u>
Net book value	
At 30 June 2016	<u>2</u>
At 30 June 2015	<u>10</u>

8 Tangible fixed assets

	Plant and machinery £000	Fixtures and Fittings £000	Motor vehicles £000	Total £000
Cost				
At beginning of period	32	247	27	306
Additions	-	-	-	-
Disposal	-	-	(27)	(27)
	<u>32</u>	<u>247</u>	<u>-</u>	<u>279</u>
At end of period	<u>32</u>	<u>247</u>	<u>-</u>	<u>279</u>
Depreciation				
At beginning of period	27	216	27	270
Charge for year	3	8	-	11
Disposal	-	-	(27)	(27)
	<u>30</u>	<u>224</u>	<u>-</u>	<u>254</u>
At end of period	<u>30</u>	<u>224</u>	<u>-</u>	<u>254</u>
Net book value				
At 30 June 2016	<u>2</u>	<u>23</u>	<u>-</u>	<u>25</u>
At 30 June 2015	<u>5</u>	<u>31</u>	<u>-</u>	<u>36</u>

9 Stock

	2016	2015
	£000	£000
Raw materials, consumables, and semi-finished goods	2,929	4,401
Finished goods	1,341	1,428
	<u>4,270</u>	<u>5,829</u>

Notes (continued)

10 Debtors: amounts falling due within one year

	2016 £000	2015 £000
Trade debtors	2,657	2,329
Amounts owed by group undertakings	755	431
Deferred tax assets	66	6
Corporation tax	16	-
Prepayments and accrued income	1,133	644
	<u>4,627</u>	<u>3,410</u>

11 Creditors: amounts falling due within one year

	2016 £000	2015 £000
Bank loans and overdrafts	4,022	2,157
Trade creditors	2,976	3,007
Amounts owed to group undertakings	538	1,356
Other taxation and social security	205	166
Other creditors and accruals	550	805
Corporation tax	-	109
	<u>8,291</u>	<u>7,600</u>

Included within amounts owed to group undertakings is a £153,000 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 £1,486,177 (2015: £946,562). 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 2016 was £4,856,931 (2015: £7,084,584).

Also included within bank loans and overdrafts is an overdraft of £723,320 (2015: £201,106) and an import loan facility of £1,812,763 (2015: £1,009,736) 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 after more than one year

	2016 £000	2015 £000
Amounts owed to group undertakings	-	320

13 Deferred tax assets

Deferred tax assets are attributable to the following:

	2016 £000	2015 £000
Unused tax losses	66	6
Total deferred tax asset	66	6

14 Capital and reserves

Share capital

	2016 £000	2015 £000
<i>Allotted, called up and fully paid</i> 10,100 ordinary shares of £1 each	10	10
	10	10

Profit and loss account

	2016 £000	2015 £000
At beginning of year	1,588	840
Profit/(loss) for the financial year	(216)	748
At end of year	1,372	1,588

15 Employee benefits

Defined contribution plans

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 £4,991 (2015: £8,000).

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

Notes (continued)

16 Commitments

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

	2016		2015	
	Land and buildings £000	Other £000	Land and Buildings £000	Other £000
Operating leases which expire:				
Within one year	-	10	-	-
In the second to fifth years inclusive	-	-	-	33
Over five years	-	-	-	25
	<u>-</u>	<u>10</u>	<u>-</u>	<u>58</u>

17 Contingent liabilities

At the year-end there were contingent liabilities of £nil (2015: £400,000) in respect of a guarantee with suppliers.

18 Controlling Party

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

The consolidated financial statement of the group is available to the public and may be obtained from VIP House, 4 Hardwick Grange, Woolston, Warrington, WA1 4RF.