

**REGISTERED NUMBER: 03236595 (England and Wales)**

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 30 June 2017  
for  
CMS Computers Limited

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## CMS Computers Limited

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# CMS Computers Limited

## Company Information for the Year Ended 30 June 2017

**DIRECTORS:**

J S Sahni  
M A Taylor

**SECRETARY:**

J S Sahni

**REGISTERED OFFICE:**

VIP House  
4 Hardwick Grange  
Woolston  
Warrington  
Cheshire  
WA1 4RF

**REGISTERED NUMBER:**

03236595 (England and Wales)

**AUDITORS:**

KPMG LLP  
8 Princess Parade  
Liverpool  
Merseyside  
L3 1QH

# CMS Computers Limited

## Strategic Report for the Year Ended 30 June 2017

The Directors present the Strategic Report and audited Financial Statements for the year ended 30 June 2017.

### **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
- Delivering 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 one of 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, trained to ensure good knowledge levels and deliver an excellent customer experience.

### **REVIEW OF BUSINESS**

In the year to June 2017 sales decreased to £19,571k (2016: £23,070k), a decrease of £3,499k (15.2%). and gross margin fell from £3,156k to £1,206k.

Loss before tax is £1,473k to June 2017 (2016: loss of £186k). The decrease is £1,287k (692%).

The year to June 2017 disappointed and continued to track the decline of the last three years.

The market for entry level desktop personal computers has been in decline for several years in the UK and we expect this to continue. Recognising this, CMS has launched the Stormforce branded range of gaming PCs which target the strongly growing PC gaming market. The launch has been very successful. Unfortunately, the growth of Stormforce has been outstripped by the decline in traditional PC sales resulting in the net reduction of sales.

Over the past few years CMS had built up a backlog of PC systems which were technically obsolete or required re-working to make them suitable for sale. Similarly there had been an accumulation of components that were obsolete and aged. These problem stocks have been identified and liquidated in the year. However, the loss realised was significantly more than had been provided in the Accounts to June 2016. The excess over the provision negatively impacted margin this year. A combination of fair value adjustments and Brexit generated a £600k gain on foreign exchange contracts in the prior year to June 2016. This was at the expense of the year to June 2017 which increased the loss in 2017.

The focus on a quality range underpinned by industry leading support and repairs is evidenced by a Trustpilot rating which moved from one to four stars in the year. This is a leading consumer reference internet site which greatly influences buying decisions. Management believe this is a great step by CMS personnel in moving the brand forwards and raising the profile.

The Directors are confident in achieving a significant improvement in the performance for the coming financial year now that legacy issues and anomalies have been cleared.

# CMS Computers Limited

## Strategic Report

for the Year Ended 30 June 2017

### **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 an Executives' 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.

#### **Economic conditions**

##### 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.

##### Market Risk

The company is at risk from external market pressures beyond its control. The company regularly reviews its strategy in the light of any such market changes.

#### **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.

## CMS Computers Limited

### Strategic Report for the Year Ended 30 June 2017

#### **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.

#### **ON BEHALF OF THE BOARD:**



J S Sahni  
Director

VIP House  
4 Hardwick House  
Woolston  
Warrington  
WA1 4RF

22 January 2018

## CMS Computers Limited

### Report of the Directors for the Year Ended 30 June 2017

#### **Results**

The Financial Statements report on a year of contraction in both sales and profitability.

Retained loss is £1,226k (2016: £216k). No dividends were made in the year.

Sales have been affected by a combination of declining traditional desktop markets more than offsetting gains achieved with Stormforce, the newly launched gaming brand.

The loss was severely impacted by several one-off events which, by definition, will not be repeated in the coming years. These one-offs reduced margin as a consequence of liquidating aged and excess stocks.

Despite anticipating lower sales levels in the coming year the Directors expect a dramatic improvement in the results based on improved margins and a reduced cost structure.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 30 June 2017.

#### **DIRECTORS**

The directors shown below have held office during the whole of the period from 1 July 2016 to the date of this report.

J S Sahni  
M A Taylor

Other changes in directors holding office are as follows:

D S Roberts - resigned 8 July 2016

#### **STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

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.

#### **ON BEHALF OF THE BOARD:**



J S Sahni  
Director

VIP House  
4 Hardwick House  
Woolston  
Warrington  
WA1 4RF

22 January 2018

## CMS Computers Limited

### Statement of Directors' Responsibilities for the Year Ended 30 June 2017

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 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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



## Report of the Independent Auditors to the Members of CMS Computers Limited

### **Opinion**

We have audited the financial statements of CMS Computers Limited ("the company") for the year ended 30 June 2017 which comprise the Profit and Loss Account, Balance Sheet and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the Financial Reporting Council Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

### **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

### **Strategic report and directors' report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

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

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects

## Report of the Independent Auditors to the Members of CMS Computers Limited

### **Directors' Responsibilities**

As explained more fully in their statement set out on page 6, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

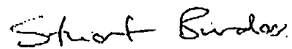
### **Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

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



Stuart Burdass (Senior Statutory Auditor)  
for and on behalf of KPMG LLP  
8 Princess Parade  
Liverpool  
Merseyside  
L3 1QH

Date: 24 January 2018

## CMS Computers Limited

### Profit and Loss Account for the Year Ended 30 June 2017

	Notes	2017 £'000	2016 £'000
<b>TURNOVER</b>	2	19,571	23,070
Cost of sales		<u>(18,365)</u>	<u>(19,914)</u>
<b>GROSS PROFIT</b>		1,206	3,156
Distribution costs		(626)	(723)
Administrative expenses		<u>(2,699)</u>	<u>(2,458)</u>
		(2,119)	(25)
Other operating income		<u>824</u>	<u>-</u>
<b>OPERATING LOSS</b>	4	(1,295)	(25)
Interest payable and similar expenses	5	<u>(178)</u>	<u>(161)</u>
<b>LOSS BEFORE TAXATION</b>		(1,473)	(186)
Tax on loss	6	<u>247</u>	<u>(30)</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u><u>(1,226)</u></u>	<u><u>(216)</u></u>

The notes form part of these financial statements

CMS Computers Limited (Registered number: 03236595)

Balance Sheet  
30 June 2017

	Notes	2017 £'000	2016 £'000
<b>FIXED ASSETS</b>			
Intangible assets	8	-	2
Tangible assets	9	<u>20</u>	<u>25</u>
		<u>20</u>	<u>27</u>
<b>CURRENT ASSETS</b>			
Stocks	10	4,059	4,270
Debtors	11	3,379	4,627
Cash at bank		<u>715</u>	<u>749</u>
		8,153	9,646
<b>CREDITORS</b>			
Amounts falling due within one year	12	<u>(6,363)</u>	<u>(8,133)</u>
<b>NET CURRENT ASSETS</b>		<u>1,790</u>	<u>1,513</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,810	1,540
<b>CREDITORS</b>			
Amounts falling due after more than one year	13	(1,488)	-
<b>PROVISIONS FOR LIABILITIES</b>	15	<u>(166)</u>	<u>(158)</u>
<b>NET ASSETS</b>		<u><u>156</u></u>	<u><u>1,382</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	10	10
Retained earnings		<u>146</u>	<u>1,372</u>
<b>SHAREHOLDERS' FUNDS</b>		<u><u>156</u></u>	<u><u>1,382</u></u>

The financial statements were approved by the Board of Directors on 22 January 2018 and were signed on its behalf by:



J S Sahni

Director

## CMS Computers Limited

### Statement of Changes in Equity for the Year Ended 30 June 2017

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
<b>Balance at 1 July 2015</b>	10	1,588	1,598
<b>Changes in equity</b>			
Total comprehensive income	-	(216)	(216)
<b>Balance at 30 June 2016</b>	10	1,372	1,382
<b>Changes in equity</b>			
Total comprehensive income	-	(1,226)	(1,226)
<b>Balance at 30 June 2017</b>	10	146	156

The notes form part of these financial statements

## CMS Computers Limited

### Notes to the Financial Statements for the Year Ended 30 June 2017

#### 1. **ACCOUNTING POLICIES**

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.

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.

#### **Measurement**

The financial statements have been prepared under the historical cost convention. The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements

# CMS Computers Limited

## Notes to the Financial Statements - continued for the Year Ended 30 June 2017

### 1. **ACCOUNTING POLICIES - continued**

#### **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.

#### **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. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### **Intangible assets**

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
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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.

#### **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	Over 5 years
Fixtures, fittings and computer equipment	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

The company assesses at each reporting date whether tangible fixed assets are impaired.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value. 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.

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 1. **ACCOUNTING POLICIES - continued**

##### **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.

##### **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").



## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 1. **ACCOUNTING POLICIES - 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 to reduce the carrying amounts of the 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.

#### **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.

#### **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.

#### **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 rewards of ownership transfer.

#### **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.

#### **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.

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 1. **ACCOUNTING POLICIES - continued**

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 or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for 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.

#### **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.

#### 2. **TURNOVER**

The turnover and loss before taxation are attributable to the one principal activity of the company, the manufacture of computer goods and the provision of associated services.

#### 3. **EMPLOYEES AND DIRECTORS**

	2017	2016
	£'000	£'000
Wages and salaries	1,310	1,559
Social security costs	97	135
Other pension costs	<u>33</u>	<u>28</u>
	<u>1,440</u>	<u>1,722</u>

The average monthly number of employees during the year was as follows:

	2017	2016
Selling and distribution	6	8
Administration	<u>50</u>	<u>46</u>
	<u>56</u>	<u>54</u>

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 3. **EMPLOYEES AND DIRECTORS - continued**

##### Directors Remuneration

Details of directors' remuneration paid by VIP Group for services provided to the company is as follows:

	2017	2016
Number of directors	2	4
	£'000	£'000
Remuneration	29	212
Compensation for loss of office	25	44
Company contributions to money purchase pension plan	<u>1</u>	<u>4</u>
	<u>55</u>	<u>260</u>

#### 4. **OPERATING LOSS**

The operating loss is stated after charging:

	2017	2016
	£'000	£'000
Depreciation - owned assets	12	11
Computer software amortisation	2	8
Auditors' remuneration	19	22
Tax compliance services	<u>3</u>	<u>4</u>

#### 5. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2017	2016
	£'000	£'000
Bank interest	<u>178</u>	<u>161</u>

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 6. **TAXATION**

##### **Analysis of the tax (credit)/charge**

The tax (credit)/charge on the loss for the year was as follows:

	2017 £'000	2016 £'000
Current tax:		
Group relief receivable	(128)	-
Adjustment in respect of prior periods	<u>(40)</u>	<u>90</u>
Total current tax	<u>(168)</u>	<u>90</u>
Deferred tax:		
Origination and reversal of timing differences	(140)	(60)
Adjustments in respect of prior periods	<u>61</u>	<u>-</u>
Total deferred tax	<u>(79)</u>	<u>(60)</u>
Tax on loss	<u>(247)</u>	<u>30</u>

UK corporation tax has been charged at 19.75% (2016 - 20%).

##### **Reconciliation of total tax (credit)/charge included in profit and loss**

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2017 £'000	2016 £'000
Loss before tax	<u>(1,473)</u>	<u>(186)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	(291)	(37)
Effects of:		
Expenses not deductible for tax purposes	1	1
Adjustments to tax charge in respect of previous periods	(40)	59
Group relief surrendered	128	-
Receipt for group relief	(128)	-
Adjustment to tax charge in respect of previous periods - deferred tax	61	-
Adjustment to closing deferred tax to average rate 19.75%	<u>22</u>	<u>7</u>
Total tax (credit)/charge	<u>(247)</u>	<u>30</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2017 has been calculated based on these rates.

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 7. **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 £33,000 (2016: £28,000).

Outstanding contributions at the end of the financial year amounted to £3,000 (2016:£3,000).

#### 8. **INTANGIBLE FIXED ASSETS**

	Computer software £'000
<b>COST</b>	
At 1 July 2016 and 30 June 2017	<u>22</u>
<b>AMORTISATION</b>	
At 1 July 2016	20
Amortisation for year	<u>2</u>
At 30 June 2017	<u>22</u>
<b>NET BOOK VALUE</b>	
At 30 June 2017	<u>-</u>
At 30 June 2016	<u>2</u>

#### 9. **TANGIBLE FIXED ASSETS**

	Plant and machinery £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>			
At 1 July 2016	32	247	279
Additions	-	7	7
Disposals	<u>-</u>	<u>(34)</u>	<u>(34)</u>
At 30 June 2017	<u>32</u>	<u>220</u>	<u>252</u>
<b>DEPRECIATION</b>			
At 1 July 2016	30	224	254
Charge for year	2	10	12
Eliminated on disposal	<u>-</u>	<u>(34)</u>	<u>(34)</u>
At 30 June 2017	<u>32</u>	<u>200</u>	<u>232</u>
<b>NET BOOK VALUE</b>			
At 30 June 2017	<u>-</u>	<u>20</u>	<u>20</u>
At 30 June 2016	<u>2</u>	<u>23</u>	<u>25</u>

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 10. **STOCKS**

	2017 £'000	2016 £'000
Raw materials, consumables and semi-finished goods	2,055	2,929
Finished goods	<u>2,004</u>	<u>1,341</u>
	<u>4,059</u>	<u>4,270</u>

#### 11. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £'000	2016 £'000
Trade debtors	2,201	2,657
Amounts owed by group undertakings	467	755
Corporation tax debtor	26	16
Deferred tax asset	144	66
Prepayments and accrued income	<u>541</u>	<u>1,133</u>
	<u>3,379</u>	<u>4,627</u>

#### Deferred tax asset

	2017 £'000	2016 £'000
Accelerated capital allowances	7	-
Tax losses carried forward	<u>137</u>	<u>66</u>
	<u>144</u>	<u>66</u>

#### 12. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2017 £'000	2016 £'000
Bank loans and overdrafts (see note 14)	2,854	4,022
Trade creditors	1,159	2,976
Amounts owed to group undertakings	1,660	538
Social security and other taxes	90	205
Other creditors and accruals	<u>600</u>	<u>392</u>
	<u>6,363</u>	<u>8,133</u>

#### 13. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2017 £'000	2016 £'000
Amounts owed to group undertakings	<u>1,488</u>	<u>-</u>

Included within amounts owed to group undertakings is a loan of £1,488,000. The loan is not repayable before 30 June 2018 and thereafter will be subject to renegotiation. The loan attracts interest at 3.5%.

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### 14. **LOANS**

An analysis of the maturity of loans is given below:

	2017 £'000	2016 £'000
Amounts falling due within one year or on demand:		
Bank overdrafts	709	723
Invoice financing facilities	1,306	1,486
Import loan facilities	<u>839</u>	<u>1,813</u>
	<u>2,854</u>	<u>4,022</u>

The Company has a facility with HSBC Invoice Financing (UK) Limited which is secured against all the assets of VIP Group.

The Company overdraft and import loan facilities are secured by first floating charge over the assets of VIP Group.

#### 15. **PROVISIONS FOR LIABILITIES**

	2017 £'000	2016 £'000
Other provisions		
Warranty provision	<u>166</u>	<u>158</u>

#### 16. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2017 £	2016 £
Number:	Class:	Nominal value:		
10,100	Ordinary	1	<u>10,100</u>	<u>10,100</u>

#### 17. **OTHER FINANCIAL COMMITMENTS**

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

	2017 £'000	2017 £'000	2016 £'000	2016 £'000
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
Within one year	-	-	-	10
In the second to fifth years inclusive	-	-	-	-
Over five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>10</u>

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2017

#### **18. RELATED PARTY DISCLOSURES**

The company is a wholly owned subsidiary of a group which prepares consolidated financial statements which are publicly available. Accordingly, the company has taken advantage of the exemptions available in FRS 102 from disclosing transactions with members or investees of that group.

#### **19. ULTIMATE 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.

#### **20. POST BALANCE SHEET EVENT**

Since the year end the Company are reorganising the business to concentrate on higher margin product.