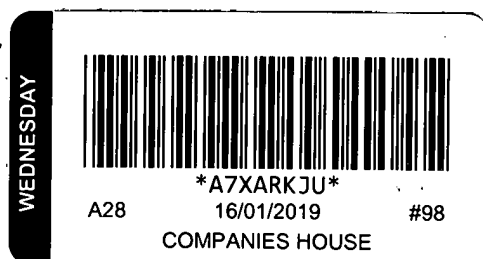


REGISTERED NUMBER: 03236595 (England and Wales)

Strategic Report, Report of the Directors and  
Financial Statements for the Year Ended 30 June 2018  
for  
CMS Computers Limited



## CMS Computers Limited

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## CMS Computers Limited

### Company Information for the Year Ended 30 June 2018

**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:**

Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
Greater Manchester  
M3 3EB

## CMS Computers Limited

### **Strategic Report** **for the Year Ended 30 June 2018**

The Directors present the Strategic Report and audited Financial Statements for the year ended 30 June 2018.

#### **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.

## CMS Computers Limited

### **Strategic Report** **for the Year Ended 30 June 2018 - continued**

#### **Review of the business**

In the year to June 2018 the sales decline continued to £14,474k (2017: £19,571k), a decrease of £5,097k (26%). Gross profit fell from £1,206k to £882k.

Operating loss is £1,164k to June 2018 (2017: loss £1,295k). This is an improvement of £131k (10%) but clearly demonstrates the remedial work still needed to turnaround CMS.

The year to June 2018 disappointed despite halting the profit decline of the last three years.

In the year loans of £1.8m from VIP (Group) Limited, the parent company, were written-back based on the prudent view that CMS is unlikely to be able to repay in the short to medium term. This has improved CMS's liquidity and strengthened the Balance Sheet.

The market for entry level desktop personal computers has been contracting for several years in the UK and we expect this to continue. The Stormforce branded range of gaming PCs was launched last year and continues to be successful. Unfortunately, the growth of Stormforce continues to be more than offset by the decline in traditional PC sales resulting in the net reduction of sales.

In the year to June 2018 the remaining legacy stocks have been liquidated with stock falling from £4,059k to £1,951k. There has been a material impact on the loss which is £147k. However, the stock reduction is now complete and funds generated have greatly helped CMS during a difficult trading period.

The focus on a quality range underpinned by industry leading support and repairs is evidenced by a five star Trustpilot rating. Strong manufacturing disciplines, specialist testing software and well trained staff have contributed to reduced returns rates and a strong product offering.

Despite the limited turnaround this year, the Directors are confident that CMS will report significantly better figures for the coming year as actions taken start to have the desired positive impact.

## CMS Computers Limited

### **Strategic Report** **for the Year Ended 30 June 2018 - continued**

#### **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. 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.

## CMS Computers Limited

### **Strategic Report** **for the Year Ended 30 June 2018 - continued**

#### 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.

#### **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

10<sup>th</sup> Jan 2019

Date: .....

## CMS Computers Limited

### **Report of the Directors** **for the Year Ended 30 June 2018**

#### **Results**

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

Retained loss is £1,205k (2017: loss £1,226k) which is a modest improvement on the previous year, but has halted the recent declines.

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

The improvements expected last year have only been partially realised and the turnaround is much slower than had been expected. People actions have been undertaken to replace core competencies and the coming year should experience modest sales growth with improving margins and a reduced cost structure.

#### **Dividends**

No dividends will be distributed for the year ended 30 June 2018.

#### **Directors**

The directors shown below have held office during the whole of the period from 1 July 2017 to the date of this report.

J S Sahni  
M A Taylor

#### **Going concern**

After receiving confirmation of intended support from the parent company, 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.

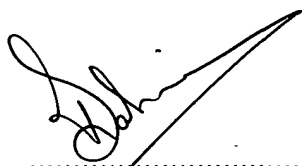
#### **Statement as to the disclosure of information to Auditors**

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 Grant Thornton UK LLP will therefore continue in office.

#### **On behalf of the Board:**

  
.....  
J S Sahni - Director

Date: 10<sup>th</sup> July 2019



**Statement of Directors' Responsibilities**  
**for the Year Ended 30 June 2018**

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.

## CMS Computers Limited

### **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 2018 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Who we are reporting to**

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.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

**Report of the Independent Auditors to the Members of  
CMS Computers Limited - continued**

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report has been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

We have nothing to report in respect of the following matters in relation to which 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.

**Responsibilities of directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for 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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Report of the Independent Auditors to the Members of  
CMS Computers Limited - continued**

**Auditor's responsibilities for the audit of the financial statements**

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 an auditor's report 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). This description forms part of our auditor's report.

*Grant Thornton UK LLP*  
.....

Carl Williams (Senior Statutory Auditor)  
for and on behalf of Grant Thornton UK LLP  
4 Hardman Square  
Spinningfields  
Manchester  
Greater Manchester  
M3 3EB

Date: *14/1/19*  
.....

## CMS Computers Limited

### Statement of Comprehensive Income for the Year Ended 30 June 2018

	Notes	2018 £'000	2017 £'000
<b>TURNOVER</b>	2	14,474	19,571
Cost of sales		<u>(13,592)</u>	<u>(18,365)</u>
<b>GROSS PROFIT</b>		882	1,206
Distribution costs		(484)	(626)
Administrative expenses		<u>(1,657)</u>	<u>(2,699)</u>
		(1,259)	(2,119)
Other operating income	3	<u>95</u>	<u>824</u>
<b>OPERATING LOSS</b>	5	(1,164)	(1,295)
Interest payable and similar expenses	6	<u>(153)</u>	<u>(178)</u>
<b>LOSS BEFORE TAXATION</b>		(1,317)	(1,473)
Tax on loss	7	<u>112</u>	<u>247</u>
<b>LOSS FOR THE FINANCIAL YEAR</b>		<u>(1,205)</u>	<u>(1,226)</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>-</u>	<u>-</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u>(1,205)</u>	<u>(1,226)</u>

All results relate to continuing activities.

# CMS Computers Limited

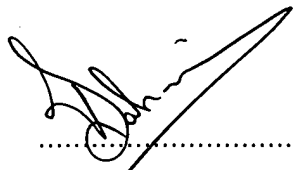
(Registered number: 03236595)

## Balance Sheet

30 June 2018

	Notes	2018 £'000	2017 £'000
<b>FIXED ASSETS</b>			
Intangible assets	9	5	-
Tangible assets	10	<u>59</u>	<u>20</u>
		<u>64</u>	<u>20</u>
<b>CURRENT ASSETS</b>			
Stocks	11	1,951	4,059
Debtors	12	2,151	3,379
Cash at bank		<u>152</u>	<u>715</u>
		4,254	8,153
<b>CREDITORS</b>			
Amounts falling due within one year	13	<u>(3,391)</u>	<u>(6,363)</u>
<b>NET CURRENT ASSETS</b>		<u>863</u>	<u>1,790</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		928	1,810
<b>CREDITORS</b>			
Amounts falling due after more than one year	14	-	(1,488)
<b>PROVISIONS FOR LIABILITIES</b>	16	<u>(139)</u>	<u>(166)</u>
<b>NET ASSETS</b>		<u>789</u>	<u>156</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	17	10	10
Other reserve		1,838	-
Retained earnings		<u>(1,059)</u>	<u>146</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>789</u>	<u>156</u>

The financial statements were approved by the Board of Directors on ..... 10<sup>th</sup> Jan 2019 .....  
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 2018

	Called up share capital £'000	Retained earnings £'000	Other reserve £'000	Total equity £'000
<b>Balance at 1 July 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
<b>Changes in equity</b>				
Total comprehensive income	-	(1,205)	-	(1,205)
Capital contribution	-	-	1,838	1,838
<b>Balance at 30 June 2018</b>	10	(1,059)	1,838	789

# CMS Computers Limited

## Notes to the Financial Statements for the Year Ended 30 June 2018

### 1. **ACCOUNTING POLICIES**

#### **Basis of preparing the financial statements**

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.

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;
- Key Management Personnel compensation;
- Transactions with wholly owned subsidiaries of VIP (Group) Limited.

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.

#### **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 2018

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

#### **Going concern**

After receiving confirmation of intended support from the parent company, 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
----------	-----------

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 machinery	- 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.

**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 2018

### 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.

# CMS Computers Limited

## Notes to the Financial Statements - continued for the Year Ended 30 June 2018

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

#### **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.

#### **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.

Sales have been generated geographically as follows:

	2018 £'000	2017 £'000
United Kingdom	14,464	19,571
Rest of the World	<u>10</u>	<u>-</u>

### 3. **OTHER OPERATING INCOME**

	2018 £'000	2017 £'000
Marketing income	<u>95</u>	<u>824</u>

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2018

#### 4. **EMPLOYEES AND DIRECTORS**

	2018 £'000	2017 £'000
Wages and salaries	878	1,310
Social security costs	70	97
Other pension costs	28	33
	<u>976</u>	<u>1,440</u>

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

	2018	2017
Selling and distribution	6	6
Administration	34	50
	<u>40</u>	<u>56</u>

No directors received any remuneration from the company.

#### 5. **OPERATING LOSS**

The operating loss is stated after charging:

	2018 £'000	2017 £'000
Depreciation - owned assets	16	12
Computer software amortisation	1	2
Auditors' remuneration	18	19
Tax compliance services	3	3
	<u>38</u>	<u>36</u>

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

	2018 £'000	2017 £'000
Bank interest on bank loans and overdrafts	153	178

#### 7. **TAXATION**

	2018 £'000	2017 £'000
<b><i>Analysis of the tax credit for the period</i></b>		
<b><i>Current tax</i></b>		
UK corporation tax at 19.00%	-	-
Group relief receivable	(253)	(128)
	<u>(253)</u>	<u>(128)</u>
Adjustments in respect of prior periods	(3)	(40)
Total current tax charge	<u>(256)</u>	<u>(168)</u>
<b><i>Deferred tax</i></b>		
Origination and reversal of timing differences	145	(140)
Adjustments in respect of prior periods	(1)	61
Effect of tax rate change on opening balance	-	0
Total deferred tax charge/(credit)	<u>(144)</u>	<u>(79)</u>
	<u>(112)</u>	<u>(247)</u>
Tax on profit on ordinary activities		

## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2018

#### 7. **TAXATION - continued**

<b><i>Provision for deferred tax</i></b>	<b><u>2018</u></b> <b>£'000</b>	<b><u>2017</u></b> <b>£'000</b>
Fixed asset timing differences	-	(7)
Unreconciled amount	-	8
Tax losses carried forward and other deductions	-	(137)
Total deferred tax (asset)/liability	<u>nil</u>	<u>(137)</u>
<i>Movement in provision:</i>		
Provision at start of the period	(137)	
Deferred tax charged in the Profit and loss account for the period	144	
Difference in movement between Balance sheet and profit and loss	<u>(8)</u>	
Provision at end of period	<u>nil</u>	
 <b><i>Reconciliation of tax credit included in profit and loss</i></b>	 <b><u>2018</u></b> <b>£'000</b>	 <b><u>2017</u></b> <b>£'000</b>
Loss on ordinary activities before tax	<u>(1,317)</u>	<u>(1,473)</u>
Tax on loss on ordinary activities at standard CT rate of 19.00% (2017 - 19.75%)	(250)	(291)
<i>Effects of:</i>		
Fixed asset differences	-	-
Expenses not deductible for tax purposes	-	1
Group relief surrendered	253	128
Receipt for group relief	(253)	(128)
Adjustments to tax charge in respect of previous periods	(3)	(40)
Adjustments to tax charge in respect of previous periods - deferred tax	-	61
Adjust closing deferred tax to average rate of 19.00%	19	22
Adjust opening deferred tax to average rate of 19.00%	(20)	-
Deferred tax not recognised	<u>142</u>	<u>-</u>
Tax credit for the period	<u>(112)</u>	<u>(247)</u>

#### 8. **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 £28,000 (2017: £33,000).

Outstanding contributions at the end of the financial year amounted to £3,000 (2017 - £3,000).

# CMS Computers Limited

## Notes to the Financial Statements - continued for the Year Ended 30 June 2018

### 9. INTANGIBLE FIXED ASSETS

	Computer software £'000
<b>COST</b>	
At 1 July 2017	22
Additions	<u>6</u>
At 30 June 2018	<u>28</u>
<b>AMORTISATION</b>	
At 1 July 2017	22
Amortisation for year	<u>1</u>
At 30 June 2018	<u>23</u>
<b>NET BOOK VALUE</b>	
At 30 June 2018	<u><u>5</u></u>
At 30 June 2017	<u><u>-</u></u>

### 10. TANGIBLE FIXED ASSETS

	Plant and machinery £'000	Fixtures and fittings £'000	Totals £'000
<b>COST</b>			
At 1 July 2017	32	220	252
Additions	<u>-</u>	<u>55</u>	<u>55</u>
At 30 June 2018	<u>32</u>	<u>275</u>	<u>307</u>
<b>DEPRECIATION</b>			
At 1 July 2017	32	200	232
Charge for year	<u>-</u>	<u>16</u>	<u>16</u>
At 30 June 2018	<u>32</u>	<u>216</u>	<u>248</u>
<b>NET BOOK VALUE</b>			
At 30 June 2018	<u><u>-</u></u>	<u><u>59</u></u>	<u><u>59</u></u>
At 30 June 2017	<u><u>-</u></u>	<u><u>20</u></u>	<u><u>20</u></u>

### 11. STOCKS

	2018 £'000	2017 £'000
Raw materials, consumables and semi-finished goods	641	2,055
Finished goods	<u>1,310</u>	<u>2,004</u>
	<u><u>1,951</u></u>	<u><u>4,059</u></u>

# CMS Computers Limited

## Notes to the Financial Statements - continued for the Year Ended 30 June 2018

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

	2018	2017
	£'000	£'000
Trade debtors	1,586	2,201
Amounts owed by group undertakings	254	467
Corporation tax debtor	-	26
Deferred tax asset	-	144
Prepayments and accrued income	<u>311</u>	<u>541</u>
	<u>2,151</u>	<u>3,379</u>

	2018	2017
	£'000	£'000
Deferred tax asset	-	7
Accelerated capital allowances	-	137
Tax losses carried forward	<u>-</u>	<u>144</u>
	<u>nil</u>	<u>144</u>

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

	2018	2017
	£'000	£'000
Bank loans and overdrafts (see note 15)	1,382	2,854
Trade creditors	910	1,159
Amounts owed to group undertakings	695	1,660
Social security and other taxes	144	90
Other creditors and accruals	<u>260</u>	<u>600</u>
	<u>3,391</u>	<u>6,363</u>

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

	2018	2017
	£'000	£'000
Amounts owed to group undertakings	<u>-</u>	<u>1,488</u>

Within amounts owed to group undertakings at 30 June 2017 was a loan of £1,488,000. The loan was written off by the parent company; VIP (Group) Limited in the year to 30 June 2018



## CMS Computers Limited

### Notes to the Financial Statements - continued for the Year Ended 30 June 2018

#### 15. **LOANS**

An analysis of the maturity of loans is given below:

	2018 £'000	2017 £'000
Amounts falling due within one year or on demand:		
Bank overdrafts	150	709
Invoice financing facilities	1,037	1,306
Import loan facilities	<u>195</u>	<u>839</u>
	<u>1,382</u>	<u>2,854</u>

The Company has a facility with HSBC Invoice Financing (UK) Limited which is secured against all the assets of VIP Group. Total Group facility is £16m at an interest rate of 2.5% on usage.

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

#### 16. **PROVISIONS FOR LIABILITIES**

	<u>Warranty Provision</u> £'000
Balance as at 30 June 2017	166
Created during the year	34
Released during the year	<u>(61)</u>
Balance as at 30 June 2018	<u>139</u>

#### 17. **COMMITMENTS**

There were no capital commitments nor annual lease commitments as at 30 June 2018 (30 June 2017: £nil)

#### 18. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2018	2017
Number:	Class:	Nominal value:	£	£
10,100	Ordinary	£1	<u>10,100</u>	<u>10,100</u>

#### 19. **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.

#### 20. **ULTIMATE CONTROLLING PARTY AND PARENT COMPANY**

The Company is a subsidiary undertaking of VIP (Group) Limited, a company incorporated in the UK. The ultimate controlling party is the Sahni family.

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.