

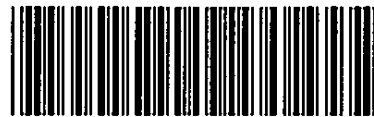
THESE ARE THE PARENT ACCOUNTS FOR
GOSCOMB TECHNOLOGIES LIMITED
COMPANY NUMBER: 05672987.

HighSpeed Office Limited

Report and Financial Statements

31 March 2014

FRIDAY



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COMPANIES HOUSE

HighSpeed Office Limited

Registered No 3935705

DIRECTORS

JA Allen	Non-Executive Chairman
C Evans	Managing Director
PD Manning	Non-Executive
SG Spooner	Non-Executive

SECRETARY

J McLaughlin
50 Leman Street
London
E1 8HQ

AUDITORS

Baker Tilly UK Audit LLP
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent
TN1 1ED

BANKERS

Lloyds TSB
39 Threadneedle Street
London
EC2R 8AU

Royal Bank of Scotland
PO Box 412
62/63 Threadneedle Street
London
EC2R 8LA

SOLICITORS

Clintons
55 Drury Lane
Covent Garden
London
WC2B 5RZ

REGISTERED OFFICE

50 Leman Street
London
E1 8HQ

HighSpeed Office Limited

STRATEGIC REPORT

The directors present their strategic report on the group for the year ended 31 March 2014

REVIEW OF THE BUSINESS

The principal activity of HighSpeed Office Limited ("the Company") and its subsidiaries (together "the Group") is that of the provision of integrated communications, including voice, internet, cloud based services including hosting, disaster recovery, virtualisation and wide area network solutions

RESULTS AND PERFORMANCE

The loss for the year, after taxation, amounted to £73,000 (2013 - profit of £20,000)

The Group ended the year with £1.1m cash balances

On 8 July 2013 the Company acquired the entire share capital of Goscomb Technologies Limited for an initial consideration of £657,000. The acquisition strengthens the Company's presence in the wholesale market, provides greater presence in data centres and adds £1.4m of annualised revenues

BUSINESS ENVIRONMENT

During the last five financial years the Group has experienced the effects of the ongoing economic recession in a competitive market. Despite the challenging conditions the Group has been able to significantly increase revenues for the fourth consecutive year which has meant that the Group has generated positive operating cash flows of approximately £0.9m and remained EBITDA positive with £446,000 of annual EBITDA.

In order to remain competitive and gain access to new markets the Group sought and gained ISO27001 Information Security Management, ISO9000 Quality Management and ISO20000 Service Management certifications in the light of a large number of public body tenders asking for it or making it compulsory that possess certification

STRATEGY

Revenue growth is expected to come organically from increased product offerings and enhanced routes to markets e.g. channel expansion.

The Group continues to market and develop its range of high-speed telecoms and IT services to business customers nationally. The substantial and continuous investment in co-location facilities and network services ensures the core network retains the latest MPLS offerings, and continues to enhance our standing in the marketplace whilst successfully gaining larger, multi-site and multi-service customer orders. In the year significant investment was made in our core network server virtualisation platform in response to market trend the acceleration of a shift to cloud-based computing. Furthermore, the Group has partnered with additional Tier 1 telecommunications companies to its supplier portfolio and continues to offer solutions involving virtually all the major UK telecommunications companies providing customers with whole of market choice and high resilience at economic rates whilst further enhancing capacity and scalability of our inter-connections with leading national carriers.

During the year the Group increased its channel acquisition programme supported by a focused marketing campaign, whilst developing and enhancing its leading edge on-line marketing tools and portals to improve the efficiency of its channel strategies. The increased marketing campaign via search engine marketing internet channels has resulted in significant increases in customer enquiries and subsequent order intake values in the financial year and in the period since the year end.

In addition to organic growth The Group continues to review carefully selected acquisition targets as a way of increasing revenue, product sets and routes to markets

HighSpeed Office Limited

STRATEGIC REPORT

KEY PERFORMANCE INDICATORS ("KPIs")

The Board monitors performance against budget and prior year throughout the year by reference to full Management Accounts and KPIs namely Revenue, Gross Margins, Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA"), Net Income, Capital Expenditure, Cash and Indebtedness. All of the above items are defined in UK Generally Accepted Accounting Practices and may be found in the Financial Statements.

PRINCIPAL RISKS

Risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Compliance with regulation, legal and ethical standards is a high priority for the Group. Many of these are covered under the Group's ISO accreditations and subject to regular internal audit and external annual audit and periodic re-accreditation.

The principal risks for our business arise from

- the competitive pricing environment and hence our ability to compete with major UK corporations, and
- radical change in product sets requiring significant investment in new infrastructure

The Board considers these risks at regular Board meetings.

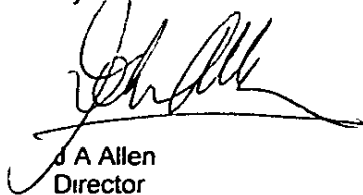
FUTURE DEVELOPMENTS

The Group will continue to roll out further best-of-breed network services by focusing on the provision of secure and flexible connectivity and collaboration platforms, building the foundations for a comprehensive set of services in three main areas being: Managed Networks; IP Communications and Cloud Computing.

We expect these factors together with the consolidation and development of on-line marketing tools, a planned acquisition strategy and increased channel development as the economic outlook remains cautiously positive and the integration of acquisitions leverages synergies to drive revenue streams through cross-selling our product set and systems integrations create efficiencies, to generate modest increases in revenue in the full year to 31 March 2014.

Management have reviewed business plans and expect that current cash and funding will be sufficient to enable the Group exceed cash flow break even without the need to raise further financing.

By order of the board



J A Allen
Director

27 January 2015

HighSpeed Office Limited

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 31 March 2014

FUTURE DEVELOPMENT

Likely future developments in the business of the Group are discussed in the strategic report

DIVIDENDS

The directors do not recommend the payment of a dividend (2013 - £nil)

DIRECTORS

The current directors are listed on page 1. In addition MR Moore, Non-Executive Director resigned on 6 August 2013

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditors

AUDITORS

Baker Tilly UK Audit LLP are deemed to be re-appointed under Section 487(2) of the Companies Act 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Group, and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

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



J A Allen
Director

27 January 2015

HighSpeed Office Limited

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HIGH SPEED OFFICE LIMITED

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 24. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and parent company's affairs as at 31 March 2014 and of the group's 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.

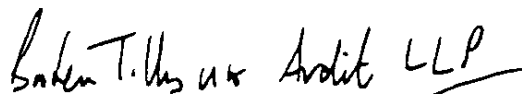
Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company 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.



NICHOLAS SLADDEN (Senior Statutory Auditor)
For and on behalf of BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Hanover House
18 Mount Ephraim Road
Tunbridge Wells
Kent, TN1 1ED

29 January 2015

HighSpeed Office Limited

CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31 March 2014

		31 March 2014 Total £000	31 March 2013 Total £000
	Notes		
Turnover			
Existing operations		8,019	8,402
Acquisition		1,142	-
Total	1	9,161	8,402
Cost of sales		(6,173)	(5,448)
GROSS PROFIT		2,988	2,954
Selling and distribution costs		(527)	(537)
Administrative expenses		(2,505)	(2,382)
OPERATING (LOSS)/PROFIT			
Existing operations		(22)	35
Acquisition		(22)	-
Total	2, 3, 4	(44)	35
Bank interest receivable		1	2
Interest payable on loan notes		(5)	-
Interest payable on HP contracts		(10)	(17)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			
Taxation	5	(15)	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	(73)	20

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses attributable to shareholders of the Group other than the loss of £73,000 in the year ended 31 March 2014 and the profit of £20,000 in the year ended 31 March 2013

BALANCE SHEETS
as at 31 March 2014

	Notes	Group 31 March 2014 £000	Group 31 March 2013 £000	Company 31 March 2014 £000	Company 31 March 2013 £000
FIXED ASSETS					
Goodwill	7	337	-	-	-
Tangible assets	8	1,767	1,334	1,767	1,334
Investments	9	-	-	657	-
		<u>2,104</u>	<u>1,334</u>	<u>2,424</u>	<u>1,334</u>
CURRENT ASSETS					
Debtors	10	1,743	1,480	1,666	1,481
Deferred tax asset	11	411	411	411	411
Cash at bank and in hand		1,127	1,160	1,100	1,157
		<u>3,281</u>	<u>3,051</u>	<u>3,177</u>	<u>3,049</u>
CREDITORS amounts falling due within one year	12	<u>(3,386)</u>	<u>(2,627)</u>	<u>(3,551)</u>	<u>(2,623)</u>
NET CURRENT ASSETS		<u>(105)</u>	<u>424</u>	<u>(374)</u>	<u>426</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,999</u>	<u>1,758</u>	<u>2,050</u>	<u>1,760</u>
CREDITORS amounts falling due after more than one year					
Obligations under hire purchase contracts 12,13		(190)	(60)	(190)	(60)
Loan Notes		(135)	-	(135)	-
		<u>1,674</u>	<u>1,698</u>	<u>1,725</u>	<u>1,700</u>
CAPITAL AND RESERVES					
Called up share capital	17	1	1	1	1
Share premium account	17	1,000	15,329	1,000	15,329
Profit and loss account	17	673	(13,632)	724	(13,630)
TOTAL EQUITY SHAREHOLDERS' FUNDS	17	<u>1,674</u>	<u>1,698</u>	<u>1,725</u>	<u>1,700</u>

The financial statements on pages 6 to 24 were approved and authorised for issue by the board on 27 January 2014 and were signed on its behalf by:


J A Allen
Chairman


C Evans
Managing Director

HighSpeed Office Limited

CONSOLIDATED CASH FLOW STATEMENT for the year ended 31 March 2014

		31 March 2014	31 March 2013
	Notes	£000	£000
Net cash flow from operating activities	20(A)	764	511
Returns on investments and servicing of finance	20(B)	(194)	(15)
Capital Expenditure		(734)	(350)
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(164)	146
Financing	20(B)	131	(145)
(DECREASE)/INCREASE IN CASH IN THE PERIOD		(33)	1

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		31 March 2014	31 March 2013
	Notes	£000	£000
(Decrease)/Increase in cash in the year		(33)	1
Cash (outflow) / inflow in respect of hire purchase	20(B)	(130)	145
CHANGE IN NET CASH	20(B)	(163)	146
OPENING NET CASH AT 1 APRIL	20(B)	918	772
CLOSING NET CASH AT 31 MARCH	20(B)	755	918

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2014

1 ACCOUNTING POLICIES

Basis of accounting and preparation

The financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards

The directors consider that the accounting policies set out below are suitable, have been consistently applied and are supported by reasonable judgements and estimates. These policies are periodically reviewed to ensure that they continue to be the most appropriate for the Company

Consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and its subsidiaries Caladan Communications Limited (Registered no 3839911) and Goscomb Technologies Limited (Registered no 05672987) Both Caladan Communications Limited and Goscomb Technologies Limited are exempt from the requirement to prepare audited accounts under section 479A of the Companies Act 2006 ✓

Basis of Consolidation

Subsidiaries and acquired during the year are consolidated using the acquisition method. Their results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised as purchased goodwill and amortised through the profit and loss account over its estimated economic life. Provision is made for any impairment. All financial statements are made up to 31 March 2014. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Going Concern

The Group's projections show that the Group has cash resources available which exceed the projected cash requirements for a period of at least one year from the directors' approval of these accounts. Accordingly the Directors have concluded that the going concern basis for preparation of the financial statements is appropriate.

Turnover

Turnover, which is stated net of value added tax, represents the value of services rendered and goods sold to third parties. Turnover primarily consists of charges to customers for monthly access and variable usage charges. Turnover is recognised as services are provided. Unbilled turnover resulting from services provided from the billing cycle date to the end of each period is accrued and unearned monthly access charges relating to periods after each accounting period end are deferred. Turnover also includes connection charges, which are recognised upon activation of customers. Turnover is attributable to one continuing activity, the provision of telecommunications services within the United Kingdom.

Telecommunication circuit charges

Initial telecommunication circuit connection charges from telecommunication carriers are expensed to the profit and loss account spread over the period of the initial contract. The recurring access fees are expensed in equal instalments over the circuit contract term.

Intangible fixed assets and amortisation

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill is amortised over the expected useful life of five years.

Goodwill arising from acquisitions of is included in intangible assets, tested annually for impairment and carried at cost less amortisation less accumulated impairment losses

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2014

ACCOUNTING POLICIES (CONTINUED)

Goodwill is tested for impairment at least annually. Any impairment is recognised immediately in the income statement. Subsequent reversals of impairment losses for goodwill are not recognised.

Fixed assets and depreciation

Tangible fixed assets are recorded at cost and are amortised over their estimated useful lives using the following methodologies:

Leasehold improvements	-	equal annual instalments over the life of lease
Network equipment		
- communications equipment	-	equal annual instalments over 6 to 10 years
- building fibre optic wiring	-	equal annual instalments over 6 to 10 years
Office and computer equipment	-	equal annual instalments over 2 to 5 years

The Group undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Deferred taxation

Deferred taxation is provided in respect of all timing differences which have originated but not reversed at the balance sheet date and is determined using the average rates that are expected to apply in the years in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that it is regarded as more than likely than not that they will be recovered. Where a deferred tax asset is recognised for trading losses, the directors have considered the known taxable profits of the company after the balance sheet date and forecast taxable profits for a period thereafter. The directors have also taken into account the relatively high level of certainty that exists over future revenue streams due to the contractual nature of the Group's customer base. Deferred tax is measured on a non-discounted basis.

Leasing commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Hire Purchase

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pensions

The Group operates a defined contribution scheme under a group personal pension scheme, the funds of which are held in separately administered funds where the beneficial rights belong to the individual employees. Contributions are charged in the profit and loss account as they become payable.

Share-based payment

The directors have considered the application of FRS20 Share-based payment to the share options issued by the company. The directors' calculations show that the standard does not have a material impact on the Group's financial position or result and, as such, no adjustment has been made in the financial statements.

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2014

ACCOUNTING POLICIES (CONTINUED)

Financial Instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

2. OPERATING (LOSS)/PROFIT

This is stated after charging/(crediting)

	<i>Year ended</i> <i>31 March</i> <i>2014</i> <i>£000</i>	<i>Year ended</i> <i>31 March</i> <i>2013</i> <i>£000</i>
Auditors' remuneration - audit services as Baker Tilly UK Audit LLP	14	12
- non audit services	5	21
Depreciation of tangible fixed assets - owned	330	348
- held under HP contracts	100	89
Amortisation of Goodwill	60	-
Exchange loss	1	1
Operating lease rentals - land and buildings	73	100
- other	4,314	3,883
	<u> </u>	<u> </u>

3. EMPLOYEES

	<i>Year ended</i> <i>31 March</i> <i>2014</i> <i>£000</i>	<i>Year ended</i> <i>31 March</i> <i>2013</i> <i>£000</i>
Wages and salaries	1,958	1,907
Social security costs	222	225
Other pension costs	33	31
	<u> </u>	<u> </u>
	2,213	2,163
	<u> </u>	<u> </u>

The average monthly number of persons (excluding directors) employed by the Company during the year was

	<i>Year ended</i> <i>31 March</i> <i>2014</i>	<i>Year ended</i> <i>31 March</i> <i>2013</i>
Technical	12	10
Sales & marketing	9	10
Customer service	13	13
Administration	7	6
	<u> </u>	<u> </u>
	41	39
	<u> </u>	<u> </u>

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

4. DIRECTORS' EMOLUMENTS

	<i>Year ended</i> 31 March 2014 £000	<i>Year ended</i> 31 March 2013 £000
Emoluments	279	296
Company contributions to money purchase pensions schemes	8	8
One director is a member of a money purchase pension scheme		
The amounts in respect of the highest paid director are as follows		
Emoluments	190	215
Company contributions to money purchase pensions schemes	8	8
No directors exercised any options during the year		

5. TAXATION

Taxation on ordinary activities

	<i>31 March</i> 2014 £000	<i>31 March</i> 2013 £000
Current tax:		
UK corporation tax based on results for the year at 20% (2013 26%)	21	-
Total current tax	21	-
Deferred tax:		
Fixed assets	(6)	-
Tax on profit on ordinary activities	15	-

Factors affecting the current tax charge

(Loss)/Profit on ordinary activities before taxation	(44)	11
Taxation at the UK corporation tax of 20% (2013 - 26%)	(9)	3
Expenses not deductible for tax	4	5
Other short term timing differences	4	-
Capital allowances in excess of depreciation	51	82
Tax losses utilised	(29)	(90)
Profit attributable to pre-acquisition period	4	-
Adjustment to brought forward values	(4)	-
Tax charge	21	-

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

5. TAXATION (CONTINUED)

No liability to corporation tax arises on the results for the current or prior periods due to the availability of tax losses. The tax charge or credit, which would arise by applying the UK standard rate of corporation tax (currently 21%), differs from the actual charge due to the fact that the deferred tax asset has not been recognised in full. The amount of the unrecognised deferred tax asset is £2,354,000 (31 March 2013 - £2,764,000), which results from the tax charge for the period of £nil (31 March 2013 - £Nil), brought forward losses of £1,085,000 (31 March 2013 - £1,347,000) and depreciation in advance of capital allowances of £1,263,000 (31 March 2013 - £1,414,000) and other timing differences of £6,000 (31 March 2013 £2,000)

6. RESULTS OF THE PARENT COMPANY

In accordance with Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented. The parent company's loss after tax for the financial year amounted to £26,000 (2013 Profit £11,000)

7. INTANGIBLE FIXED ASSETS

	<i>31 March</i>	<i>31 March</i>
	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
<i>Goodwill</i>		
<i>Group and Company</i>		
Cost		
Arising on acquisition of subsidiary and at 31 March	397	-
Amortisation		
Charge for the period and at 31 March	60	-
Net book amount		
At 31 March	337	-

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

8 TANGIBLE FIXED ASSETS

<i>Group</i>	<i>Leasehold property £000</i>	<i>Network equipment £000</i>	<i>Office & Computer equipment £000</i>	<i>Total £000</i>
Cost				
1 April 2013	103	6,370	892	7,365
Additions	134	573	156	863
Disposals	-	-	-	-
31 March 2014	237	6,943	1,048	8,228
Depreciation				
1 April 2013	103	5,118	810	6,031
Charge for the year	17	362	51	430
Relating to disposals in the year	-	-	-	-
31 March 2014	120	5,480	861	6,461
Net book amount At 31 March 2014	117	1,463	187	1,767
At 31 March 2013	-	1,252	82	1,334
<i>Company</i>	<i>Leasehold property £000</i>	<i>Network equipment £000</i>	<i>Office & Computer equipment £000</i>	<i>Total £000</i>
Cost				
1 April 2013	103	6,370	892	7,365
Additions	134	573	156	863
Disposals	-	-	-	-
31 March 2014	237	6,943	1,048	8,228
Depreciation				
1 April 2013	103	5,118	810	6,031
Charge for the year	17	362	51	430
Relating to disposals in the year	-	-	-	-
31 March 2014	120	5,480	861	6,461
Net book amount: At 31 March 2014	117	1,463	187	1,767
At 31 March 2013	-	1,252	82	1,334

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

8. TANGIBLE FIXED ASSETS (CONTINUED)

Group and Company

Assets under Hire Purchase included above	£000
Net book value	
At 31 March 2014	<u>557</u>
At 31 March 2013	<u>419</u>

9. INVESTMENTS

On 7 March 2006, the Company acquired the entire share capital, consisting of 1,000 ordinary shares, of Caladan Communications Limited ("Caladan"), a company incorporated in the UK, for a consideration of £154,000. Caladan provides hosting and ISP services. In the financial year 2010 the Company wrote down the investment by £100,000 resulting in a net book value of £Nil at 31 March 2010. Caladan published financial statements for the year to 31 March 2014. Caladan did not trade in this period. As at 31 March 2014 the deficit on shareholders' funds was £2,000 (2013: £2,000).

On 7 July 2013, the Company acquired the entire share capital, consisting of 100 ordinary shares, of Goscomb Technologies Limited ("Goscomb"), a company incorporated in the UK, for a consideration of £657,000. Goscomb provides hosting and ISP services. Goscomb published financial statements for the 14 months to 31 March 2014. Since the date of acquisition Goscomb's operations have been integrated with those of the Company. Accordingly the information contained in these financial statements is not readily or separately identifiable. Revenues relating to the Goscomb operations since the date of acquisition were approximately £1,142,000. As at 31 March 2014 shareholders' funds were £277,000.

The profit after tax of Goscomb for the period 1 February 2013 to the date of acquisition was £18,000. Profit for the financial year ending 31 January 2013 was £90,000.

	£000	£000
Fair Value Consideration		
Cash	300	
Loan Notes	200	
Shares	50	
Acquisition expenses	107	
Total Fair Value Consideration	<u>657</u>	657
Analysis of assets acquired		
Fixed Assets	130	
Cash/(Overdraft)	227	
Debtors	130	
Other current assets	48	
Accounts payable and accruals	(133)	
Deferred Income	(78)	
VAT	(9)	
Deferred Tax	(6)	
Net Assets	<u>309</u>	309
Excess of Fair Value over asset acquired		<u>348</u>
Provision for contract termination costs		49
Goodwill arising on acquisition		<u>397</u>

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2014

10. DEBTORS

	<i>Group</i> 31 March 2014 £000	<i>Group</i> 31 March 2013 £000	<i>Company</i> 31 March 2014 £000	<i>Company</i> 31 March 2013 £000
Amounts falling due within one year:				
Trade Debtors	1,134	957	1,112	959
Amounts owed by group undertakings	-	-	1	1
Other Debtors	11	12	11	11
Prepayments	501	412	445	411
Accrued Revenue	97	99	97	99
	<u>1,743</u>	<u>1,480</u>	<u>1,666</u>	<u>1,481</u>

11. DEFERRED TAXATION ASSET

The Company has recognised a deferred tax asset in the year to the extent that it is more likely than not that asset will be recovered in the next financial year. During the previous three years taxable profits have increased and the Company expects taxable profits for the year to 31 March 2015 and following periods and, therefore, the Company expects to be able to use past trading losses.

The movement in the deferred tax asset for the year was

	<i>31 March</i> 2014 £000	<i>31 March</i> 2013 £000
Asset brought forward	411	411
Arising on acquisition of subsidiary	(6)	
Profit and loss account movement arising during the year	6	-
	<u>411</u>	<u>411</u>

The deferred taxation asset consists of the tax effect of timing differences in respect of

Trading losses	<u>411</u>	<u>411</u>
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NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

12. CREDITORS: amounts falling due within one year

	<i>Group</i> 31 March 2014 £000	<i>Group</i> 31 March 2013 £000	<i>Company</i> 31 March 2014 £000	<i>Company</i> 31 March 2013 £000
Amounts falling due within one year:				
Obligations under hire purchase contracts	182	182	182	182
Loan Notes	65	-	65	-
Trade Creditors	1,390	776	1,231	776
Amounts owed to group undertakings	-	-	321	-
Corporation tax	21	-	-	-
Other taxes and social security	141	123	146	119
Accruals	58	263	75	263
Deferred revenue	1,517	1,270	1,517	1,270
Company Pension Scheme	6	5	6	5
Other current liabilities	6	8	8	8
	<u>3,386</u>	<u>2,627</u>	<u>3,551</u>	<u>2,623</u>

Obligations under hire purchase contracts are secured against the assets to which they relate.

13 CREDITORS: amounts falling due after one year

	<i>Group</i> 31 March 2014 £000	<i>Group</i> 31 March 2013 £000	<i>Company</i> 31 March 2014 £000	<i>Company</i> 31 March 2013 £000
Amounts falling due within one year:				
Obligations under hire purchase contracts	190	60	190	60
Loan Notes	135	-	135	-
	<u>325</u>	<u>60</u>	<u>325</u>	<u>60</u>

Obligations under hire purchase contracts are secured against the assets to which they relate

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

14. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS

	<i>Group</i> 31 March 2014 £000	<i>Group</i> 31 March 2013 £000	<i>Company</i> 31 March 2014 £000	<i>Company</i> 31 March 2013 £000
Amounts payable				
Within one year	192	189	192	189
In two to five years	196	61	196	61
	<u>388</u>	<u>250</u>	<u>388</u>	<u>250</u>
Less				
finance charges allocated to future periods	(16)	(8)	(16)	(8)
	<u>372</u>	<u>242</u>	<u>372</u>	<u>242</u>
	<u><u>372</u></u>	<u><u>242</u></u>	<u><u>372</u></u>	<u><u>242</u></u>
Hire purchase contracts are analysed as follows				
Current obligations	182	182	182	182
Non-current obligations	190	60	190	60
	<u>372</u>	<u>242</u>	<u>372</u>	<u>242</u>
	<u><u>372</u></u>	<u><u>242</u></u>	<u><u>372</u></u>	<u><u>242</u></u>

15. SHARE OPTIONS

The Group offers incentives to employees through the issue of share options. It operates an EMI Share Option Plan for employees and an unapproved Option Scheme for non-executive directors. The scheme rules are that employees are granted non performance related options over ordinary shares in three tranches, on joining the company, the first anniversary of joining and the second anniversary of joining. Each tranche vests in equal thirds from the anniversary, the second anniversary and the third anniversary of the date of grant and are exercisable up to the 10th anniversary of the date of grant.

On 25 May 2007, in order to create further options for issue to employees, the Company approved the conversion of existing £9.95 options into £0.75 options. This involved employees waiving rights over 58,223 shares at £9.95 each and taking up new options over 24,321 shares at £0.75 each. These options are exercisable on various dates between 25 May 2007 and 24 May 2017.

In addition the directors have the power to grant additional options as they see fit. On 4 August 2005 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 34,991 ordinary shares at £0.75 each. These options are exercisable from 1 September 2005 to 31 August 2015. These options vested immediately. These options were granted to staff on the basis of one option for every £2.00 of annual salary foregone for the twelve month period ended 31 August 2005.

On 25 May 2007 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 20,336 ordinary shares at £0.75 each. These options are exercisable from 25 May 2007 to 24 May 2017. These options vested immediately. These options were granted to staff on the basis of one option for every £2.00 of annual salary foregone for the twelve month period ended 31 May 2007.

On 1 May 2008 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 730 ordinary shares at £0.75 each, exercisable on various dates between 1 May 2009 and 30 April 2018.

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NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2014

15. SHARE OPTIONS (CONTINUED)

On 7 May 2009 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 1630 ordinary shares at £0.75 each, exercisable on various dates between 11 May 2010 and 6 May 2019.

On 11 May 2010 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 764 ordinary shares at £0.75 each, exercisable on various dates between 11 May 2010 and 10 May 2020.

On 10 May 2011 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 63 ordinary shares at £0.75 each, exercisable on various dates between 10 May 2010 and 9 May 2021.

On 10 May 2011 the Company granted options, under the EMI Share Option Plan, to senior staff over 19,000 ordinary shares at £0.75 each. 85% of these options vest immediately and 15% vest on a change of control, and are exercisable on the 10th anniversary of the date of grant.

On 1 May 2012 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 18 ordinary shares at £0.75 each, exercisable on various dates between 1 May 2012 and 20 April 2022.

On 14 May 2013 the Company granted options, under the EMI Share Option Plan, to qualifying employees over 17 ordinary shares at £0.75 each, exercisable on various dates between 25 July 2013 and 13 May 2023.

	<i>Number of Options</i>	<i>Weighted Average Exercise price</i>
<i>At 31 March 2012</i>	94,207	£0.75
<i>Options granted</i>	18	£0.75
<i>Options lapsed</i>	(560)	£0.75
<i>Options exercised</i>	-	£0.75
	<hr/>	<hr/>
<i>At 31 March 2013</i>	93,665	£0.75
<i>Options granted</i>	17	£0.75
<i>Options lapsed</i>	(271)	£0.75
<i>Options exercised</i>	(1,536)	£0.75
	<hr/>	<hr/>
<i>At 31 March 2014</i>	91,875	£0.75
	<hr/> <hr/>	<hr/> <hr/>

The outstanding options are exercisable over various dates to 13 May 2023. The weighted average contractual life of the options is 3.3 years.

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NOTES TO THE FINANCIAL STATEMENTS

at 31 March 2014

15. SHARE OPTIONS (CONTINUED)

The beneficial interests of the directors and their families in options over the ordinary shares of the Company are shown below

	Exercise Price £	At 1 April 2013 No	Waived in the Year No	Granted in the Year No	Exercised in the Year No	At 31 March 2014 No	Exercisable From	To
C Evans	0.75	2,026	-	-	-	2,026	1 September 2006	3 August 2015
	0.75	2,025	-	-	-	2,025	1 December 2006	3 August 2015
	0.75	2,025	-	-	-	2,025	1 March 2007	3 August 2015
	0.75	19,290	-	-	-	19,290	25 May 2007	24 May 2017
	0.75	7,000	-	-	-	7,000	10 May 2011	9 May 2021
		<u>32,366</u>	-	-	-	<u>32,366</u>		
JA Allen	0.75	707	-	-	-	707	1 September 2006	3 August 2015
	0.75	707	-	-	-	707	1 December 2006	3 August 2015
	0.75	706	-	-	-	706	1 March 2007	3 August 2015
	0.75	1,483	-	-	-	1,483	25 May 2007	24 May 2017
		<u>3,603</u>	-	-	-	<u>3,603</u>		
PD Manning	0.75	388	-	-	-	388	1 September 2006	3 August 2015
	0.75	388	-	-	-	388	1 December 2006	3 August 2015
	0.75	387	-	-	-	387	1 March 2007	3 August 2015
	0.75	741	-	-	-	741	25 May 2007	24 May 2017
		<u>1,904</u>	-	-	-	<u>1,904</u>		

There has been no other change in the directors' interests in shares or options granted by the Company and its subsidiaries between the end of the financial year and one month prior to the notice of the Annual General Meeting. The Register of Directors' Interests (which is open to shareholders' inspection) contains full details of directors' shareholdings.

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

16. SHARE CAPITAL

	31 March 2014 £	31 March 2013 £
AUTHORISED		
3,000,000 (2,000,000) ordinary shares of 0 1 pence each	3,000	2,000
44,700 (Nil) Convertible shares of 0 1 pence each	45	-
Nil (10,416) A preferred ordinary shares of 0 1 pence each	-	10
Nil (1,000,000) B preferred ordinary shares of 0 1 pence each	-	1,000
	<u>3,045</u>	<u>3,010</u>
ALLOTTED, CALLED UP AND FULLY PAID		
985,483 (554,312) ordinary shares of 0 1 pence each	985	554
44,700 (Nil) Convertible shares of 0 1 pence each	45	-
Nil (10,416) A preferred ordinary shares of 0 1 pence each	-	10
Nil (398,405) B preferred ordinary shares of 0 1 pence each	-	398
	<u>1,030</u>	<u>962</u>

During the year the Company in General Meeting approved a capital restructuring which included the conversion of A preferred ordinary shares of 0 1 pence each and B preferred ordinary shares of 0 1 pence each into ordinary shares of 0 1 pence each and changes to the authorised capital cancelling the A preferred ordinary shares of 0 1 pence each and B preferred ordinary shares of 0 1 pence each and authorisation of 3,000,000 ordinary shares of 0 1 pence each. In addition, the Company in General Meeting authorised the issue of up to 44,700 Convertible shares of 0 1 pence each. The Convertible shares have no rights to vote, no rights to dividends and no rights on a distribution of assets.

On 7 July 2013, the Company acquired the entire share capital, consisting of 100 ordinary shares, of Goscomb Technologies Limited, as part of this acquisition the Company issued 22,350 ordinary shares of 0 1 pence each and 44,700 Convertible shares of 0 1 pence each, all these shares were issued at a consideration of £0 75 per share.

17. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT IN RESERVES

	Share Capital £000	Share Premium £000	Share Profit & loss account £000	Shareholders' funds £000
At 31 March 2012	1	15,329	(13,652)	1,678
Profit for the year	-	-	20	20
At 31 March 2013	1	15,329	(13,632)	1,698
Issue of shares	-	49	-	49
Capital reconstruction	-	(14,378)	14,378	-
(Loss)/Profit for the year	-	-	(73)	(73)
At 31 March 2014	<u>1</u>	<u>1,000</u>	<u>673</u>	<u>1,674</u>

During the year the Company in General Meeting approved a capital restructuring which included the transfer of £14,278,000 from share premium to Profit & Loss account.

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NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

18 CAPITAL AND OTHER FINANCIAL COMMITMENTS

At 31 March 2014 the Company had the following commitments

	31 March 2014 £000	31 March 2013 £000
Contracted	1	1

Annual commitments under non-cancellable operating leases are as follows

	<i>Land and buildings</i>		<i>Other operating leases</i>	
	31 March 2014 £000	31 March 2013 £000	31 March 2014 £000	31 March 2013 £000
Operating leases which expire within one year	-	100	1,318	1,040
between two and five years	90	-	903	885
after five years	-	-	-	-
	<u>90</u>	<u>100</u>	<u>2,221</u>	<u>1,925</u>

19. RELATED PARTY TRANSACTIONS

The Company enters into transactions for the sale of goods and services with a Company with common directors. Details are set out below

During the year the Company sold £17,000 (2013 - £17,000) of services to ARC Partners Limited. These sales represent telecommunications services made available by the Company. At 31 March 2014 the balance due from ARC Partners Limited was £nil (31 March 2013 - £nil)

The Company enters into transactions for the purchase and sale of goods and services with a number of its shareholders. Details are set out below

During the year the Company sold £115,000 (2013 - £983,000) of services to British Land and its subsidiaries. These sales represent telecommunications services made available by the Company. At 31 March 2014 the balance due from British Land and its subsidiaries was £60,000 (31 March 2013 - £161,000)

During the year the Company purchased £26,000 (2013 - £27,000) of services from Canary Wharf Group Limited and its subsidiaries. These purchases represent utility services made available to the Company. At 31 March 2014 the balance due to Canary Wharf Group Limited and its subsidiaries was £nil (31 March 2013 - £27,000).

During the year the Company sold £9,000 (2013 - £20,000) of services to Prudential plc and its subsidiaries. These sales represent telecommunications services made available by the Company. At 31 March 2014 the balance due from Prudential plc and its subsidiaries was £9,000 (31 March 2013 - £9,000)

Advantage is taken of the FRS 8 exemption from disclosure of certain intra group transactions

HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

20. CASH FLOWS

20(A). RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<i>Year ended 31 March 2014 £000</i>	<i>Year ended 31 March 2013 £000</i>
Operating (loss)/ profit	(44)	35
Depreciation	430	437
Amortisation of Goodwill	60	-
Gain on disposal of fixed assets	-	-
(Increase)/decrease in debtors	(86)	467
Increase/(decrease) in creditors	404	(428)
Reclassification of stock to fixed assets	-	-
Net cash inflow from operating activities	<u>764</u>	<u>511</u>

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HighSpeed Office Limited

NOTES TO THE FINANCIAL STATEMENTS at 31 March 2014

20(B). ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW

	Year ended 31 March 2014 £000	Year ended 31 March 2013 £000	
Returns on investment and servicing of finance			
Interest received	1	2	
Interest paid on HP contracts	(15)	(17)	
Acquisition of subsidiary	(407)	-	
Cash acquired on acquisition	227	-	
	<u> </u>	<u> </u>	
Net cash outflow from returns on investments and servicing of finance	<u>(194)</u>	<u>(15)</u>	
Capital Expenditure			
Purchase of fixed assets	(734)	(350)	
Sale proceeds from disposal of fixed assets	-	-	
	<u> </u>	<u> </u>	
Net cash outflow from capital expenditure	<u>(734)</u>	<u>(350)</u>	
Financing			
Repayment of capital element of hire purchase	(214)	(247)	
Cash inflow from increase in hire purchase contracts	345	102	
Issue of shares	-	-	
	<u> </u>	<u> </u>	
Net cash inflow/(outflow) from financing	<u>131</u>	<u>(145)</u>	
Analysis of net cash			
	1 April 2013 £000	Cash flow £000	31 March 2014 £000
Cash in hand and at bank	460	(73)	387
Short term deposits	700	40	740
Amounts due under hire purchase contracts	(242)	(130)	(372)
	<u> </u>	<u> </u>	<u> </u>
	<u>918</u>	<u>(163)</u>	<u>755</u>