Company Registration No. 3703097

KC CONTACT CENTRES LIMITED

Annual Report and Financial Statements

for the year ended 31 March 2014

KC CONTACT CENTRES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2014

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KC CONTACT CENTRES LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

P Simpson
W Halbert

COMPANY SECRETARY

K Smith

REGISTERED OFFICE

37 Carr Lane
Hull
HU1 3RE

BANKERS

National Westminster Bank PLC
34 King Edward Street
Hull
HU1 3YN

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

The directors present their strategic report and the audited financial statements of the company for the year ended 31 March 2014. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

PRINCIPAL ACTIVITIES

The principal activity of the company is the publishing of telephone directories. The company is incorporated and domiciled in the UK.

RESULTS

The loss for the financial year amounts to £1,021,000 (2013: £1,429,000).

REVIEW OF THE BUSINESS

During the year, revenue increased by 16% to £5.9m (2013: £5.0m) driven mainly by new contracts & organic growth in the outsourced services part of the company. The growth in the outsourced services resulted in increased costs but these were managed effectively by the company in the year, resulting in an improvement in the underlying loss before taxation by 30%.

KEY PERFORMANCE INDICATORS

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Revenue	5,865	5,016
Loss before taxation	(1,270)	(1,805)
Operating profit (%)	(21.7%)	(35.9%)

YEAR END POSITION

At the end of the year to 31 March 2014, the company was in a net liability position. However, management believe that the company will be supported by KCOM Group PLC and this will enable the company to meet its commitments as they fall over the next 12 months. In addition, at the balance sheet date, the company has no third party debt (2013: £Nil).

STRATEGIC OBJECTIVES

The Company's strategic objectives are aligned with KCOM Group PLC and can be found in KCOM Group PLC's annual report and financial statements on pages 14 and 15.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks associated with the company are considered to be the security and resilience of IT, network and data, the reliance on key third party suppliers, and business continuity. Further details of the risks can be found on pages 18 to 19 of the Strategic Report in the annual report and financial statements of the KCOM Group PLC.

Approved by the board, and signed on their behalf

P Simpson
Director

23 December 2014

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2014. These financial statements are prepared under United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

These are the first financial statements of the company prepared in accordance with FRS 101 and the company's date of transition into FRS 101 is 1 April 2012.

FUTURE DEVELOPMENTS

The Directors are focused on achieving profitable revenue growth for the company. For further details of future developments, see pages 12 to 13 of the KCOM Group PLC annual report and financial statements.

DIVIDENDS

The directors have paid ordinary dividends of £Nil (2013: £Nil) during the year. The directors do not recommend the payment of a dividend (2013: £Nil).

FINANCIAL RISK MANAGEMENT

In the normal course of business, the company is exposed to certain financial risks, principally interest rate risk, liquidity risk and credit risk. These risks are managed by the central treasury function of KCOM Group PLC, in conjunction with the company, in accordance with risk management policies that are designed to minimise the potential adverse effects of these risks on financial performance. The policies are reviewed and approved by the Board of KCOM Group PLC.

Further details of the financial risk management policies can be found on page 16 of the Strategic Report in the annual report and financial statements of the KCOM Group PLC.

EMPLOYEES

The company encourages its employees to be aware of the financial and economic factors affecting the performance of the company. A consultative committee has been established which meets regularly.

Employment policies are designed to provide equal opportunities irrespective of colour, ethnic or national origin, nationality, sex, religion, material or disabled status. Full consideration is given to the employment, training and career development of disabled persons.

Health and safety is an integral part of good business management, and well established systems of safety management are in place throughout the company. The company's employment policy is in accordance with that of the Group, further details of which can be found on page 27 of the Strategic Report in the annual report and financial statements of KCOM Group PLC.

DIRECTORS

The directors who served during the year and up to the date of signing the financial statements are listed on page 1. Although the company is in a net liability position, the directors consider the company to be a going concern given the integration of the business with, and the ongoing support from, the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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 accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

STATEMENT OF DIRECTORS' RESPONSIBILITIES (CONTINUED)

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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

INDEPENDENT AUDITORS

A resolution has been passed to maintain PricewaterhouseCoopers LLP as auditors until such time as the Board decides otherwise.

Approved by the board, and signed on their behalf

P Simpson
Director

23 December 2014

KC CONTACT CENTRES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KC CONTACT CENTRES LIMITED

Report on the financial statements

Our opinion

In our opinion, KC Contact Centres Limited's financial statements (the "financial statements"):

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

What we have audited

KC Contact Centres Limited's financial statements comprise:

- the Statement of Financial Position as at 31 March 2014;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matters 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.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on pages 3 and 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) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF KC CONTACT CENTRES LIMITED

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Ian Morrison

Ian Morrison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
23 December 2014

KC CONTACT CENTRES LIMITED
INCOME STATEMENT
For the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Revenue	2	**5,865**	5,016
Operating expenses	3	**(7,135)**	(6,821)
Operating loss		**(1,270)**	(1,805)
Analysed as:			
EBITDA		**(1,139)**	(1,613)
Depreciation of property, plant and equipment	8	**(57)**	(51)
Amortisation of intangible assets	7	**(74)**	(141)
Loss on ordinary activities before taxation		**(1,270)**	(1,805)
Tax on loss on ordinary activities	5	**249**	376
Loss for the financial year		**(1,021)**	(1,429)

There are no material differences between the loss on ordinary activities before taxation and the loss for the financial year above for 2013 under FRS 101 and that presented in the 2013 financial statements under UK GAAP.

The notes on pages 10 to 17 are an integral part of these financial statements.

KC CONTACT CENTRES LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 March 2014

	Notes	2014 £'000	2013 £'000	2012 £'000
Fixed assets				
Intangible assets	7	**118**	144	258
Property, plant and equipment	8	**108**	91	113
Deferred tax assets	12	**235**	302	351
		461	537	722
Current assets				
Trade and other receivables due within one year	9	**1,023**	1,028	680
Cash and cash equivalents		**711**	720	—
		1,734	1,748	680
Creditors – amounts falling due within one year	10	**(860)**	(810)	(651)
Net current assets		**874**	938	29
Total assets less current liabilities		**1,335**	1,475	751
Creditors – amounts falling due after more than one year	11	**(19,379)**	(18,522)	(16,397)
Net liabilities		**(18,044)**	(17,047)	(15,646)
Equity				
Ordinary shares	13	**10**	10	10
Share premium account		**1,190**	1,190	1,190
Retained earnings		**(19,244)**	(18,247)	(16,846)
Total shareholders' deficit		**(18,044)**	(17,047)	(15,646)

The notes on pages 10 to 17 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 23 December 2014. They were signed on its behalf by:

P. Simpson

Director

KC CONTACT CENTRES LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2014

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
At 1 April 2012 (under UK GAAP and FRS 101)	**10**	**1,190**	**(16,846)**	**(15,646)**
Loss for the financial year	—	—	(1,429)	(1,429)
Total comprehensive income for the year	**—**	**—**	**(1,429)**	**(1,429)**
Employee share schemes	—	—	28	28
At 31 March 2013	**10**	**1,190**	**(18,247)**	**(17,047)**
Loss for the financial year	—	—	(1,021)	(1,021)
Total comprehensive income for the year	**—**	**—**	**(1,021)**	**(1,021)**
Employee share schemes	—	—	24	24
At 31 March 2014	**10**	**1,190**	**(19,244)**	**(18,044)**

The notes on pages 10 to 17 are an integral part of these financial statements.

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year.

Basis of accounting

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the Companies Act 2006 (the Act) as appropriate to companies using FRS101. FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The company is a qualifying entity for the purposes of FRS 101. Note 15 gives details of the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

These are the first financial statements of the company prepared in accordance with FRS 101. The company's date of transition to FRS 101 is 1 April 2012. The company has notified its shareholders in writing about, and they do not object to, the use of the disclosure exemptions used by the company in these financial statements.

There is no material difference on the loss or equity at 1 April 2012, 31 March 2013 and 31 March 2014.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The disclosure exemptions adopted by the company in accordance with FRS 101 are as follows:

a) Statement of cash flows
b) Capital risk management
c) Related party transactions
d) Share options
e) Accounting policies issued but not yet effective

The financial statements have been prepared under the historical cost convention. A summary of the more important accounting policies is set out below.

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

New and amended standards adopted by the company

FRS 101 Reduced Disclosure Framework has been early adopted and the standard has been applied for the first time for the financial year beginning 1 April 2013.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on 1 April 2013 that have had a material impact on the company.

Going concern

The company meets its day-to-day working capital requirements through its bank facilities. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current facilities. After making enquires, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

1. ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment
Property, plant and equipment are stated at historic cost less accumulated depreciation and any provision for impairment. The cost of property, plant and equipment is their purchase cost together with costs directly attributable to bring the asset to its working condition for its intended use.

Depreciation is provided so as to write off the cost of assets to residual values on a straight line basis over the assets' useful estimated live as follows:

Exchange equipment	-	10 years
Vehicles, other apparatus and equipment	-	3 to 10 years

Freehold land is not depreciated.

Intangible assets – software
Software comprises computer software purchased from third parties and also the cost of internally developed software. Computer software purchased from third parties and internally developed software is initially recorded at cost.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the criteria detailed above is met. These intangible assets are amortised on a straight-line basis over their useful lives.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Intangible assets – amortisation
Amortisation of intangible assets is charged to the income statement on a straight-line basis over the estimated useful lives of each intangible asset. Intangible assets are amortised from the date they are available for use.

The estimated useful lives are as follows:

Software	-	up to 5 years

Trade receivables
Trade receivables are recognised initially at fair value and measured subsequently at amortised cost, using the effective interest method, less any impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within operating expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts written off are credited against operating expenses in the income statement.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet, unless a right of offset exists.

Creditors
Creditors are recognised initially at fair value and measured subsequently at amortised cost using the effective interest method.

Share capital
Ordinary shares are classified as equity.

1. **ACCOUNTING POLICIES (CONTINUED)**

Revenue recognition

Revenue excludes value added tax. The company enters into contractual arrangements that include various components which operate independently of each other. Revenue is recognised in respect of the company's right to consideration for each individual component where a reliable fair value can be attributed to these components.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax payable is currently based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and/or items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised generally for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced or increased to the extent that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items recognised in other comprehensive income or directly to equity. In this case the deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Pensions

Prior to 12 January 1998, all new employees were eligible to join the defined benefit pension funds operated by the ultimate parent company. At 12 January 1998, that scheme was closed to new members, and all employees commencing employment after that date are eligible to join the defined contribution Group Personal Pension Scheme. In addition, the Group decided to close the defined benefit funds to future accrual in September 2010. As at 31 March 2011, the pension schemes were transferred from KCOM Group PLC to KCH (Holdings) Limited. KCH (Holdings) Limited is the principal sponsoring entity for the pension schemes.

Share-based payments

The company has applied the requirements of IFRS 2 Share-based payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 April 2005.

The ultimate parent undertaking, KCOM Group PLC, issues equity-settled share-based payments to certain employees. Other equity-settled share-based payments arise where payment for goods and services is settled in shares or other equity instruments.

Equity-settled employee schemes, including employee share options, discretionary long term incentive schemes and save as you earn schemes, provide employees the option to acquire shares of KCOM Group PLC. Employee share options and long term incentive schemes are generally subject to performance or service conditions.

1. ACCOUNTING POLICIES (CONTINUED)

Share-based payments (continued)

The fair value of equity-settled share-based payments relating to KC Contact Centres Limited employees is measured at the date of grant and charged to the profit and loss account over the period during which performance or service conditions are required to be met, or immediately where no performance or service criteria exist. The fair value of equity-settled share-based payments granted is measured using either the Black-Scholes or Monte Carlo model, depending on the terms under which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of employee share options that vest, except where forfeiture is only due to market based performance criteria not being met.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The ultimate parent undertaking, KCOM Group PLC, also operates a Share Incentive Plan (SIP) under which employees have the option to purchase shares in KCOM Group PLC each month and offers employees free matching and partnership shares on a sliding scale of between 1:3 to 2:1. The free shares relating to employees of KC Contact Centres Limited are recognised as an expense over the period of any applicable service condition, or immediately when no service condition exists.

2. REVENUE

Revenue is attributable to the principal continuing activity of the company of providing call centre facilities, and is generated wholly within the UK.

	2014	2013
	£'000	£'000
Provision of services	**5,865**	5,016

3. OPERATING LOSS

Operating loss is stated after charging:

	Notes	**2014**	2013
		£'000	£'000
Wages and salaries		**3,616**	3,165
Social security costs		**193**	175
Other pension costs		**73**	61
Share based payments	6	**29**	31
Operating lease rentals		**7**	10
Auditors' remuneration for the audit of the financial statements		**6**	6
Depreciation of property, plant and equipment	8	**57**	51
Amortisation of intangible assets	7	**74**	141
Group management recharge		**1,283**	1,460

Certain fees for non-audit services have been borne by the ultimate parent company, KCOM Group PLC. It is not practicable to ascertain what proportion of such fees relates to the company.

4. EMPLOYEES AND DIRECTORS

The average monthly number of employees (including executive directors) was:

	Number of employees	
	2014	2013
Operational	**221**	186
Management and support	**7**	10
	228	196

4. EMPLOYEES AND DIRECTORS (CONTINUED)

At 31 March 2014, Mr P Simpson and Mr W Halbert were directors of KCOM Group PLC, and other fellow subsidiary companies.

Mr P Simpson received total emoluments of £759,000 (2013: £1,040,000) from KCOM Group PLC but it is not practicable to ascertain the proportion of his emoluments that specifically relate to the company. In addition, Mr P Simpson is a member of the Kingston Group Personal Pension Plan, a defined contribution scheme. During the financial year, KCOM Group PLC made contributions of £49,000 on behalf of Mr P Simpson (2013: £51,000).

Mr W Halbert received total emoluments of £495,000 (2013: £4,791,000) from KCOM Group PLC but it is not practicable to ascertain the proportion of his emoluments that specifically relate to the company. Mr W Halbert has elected not to be a member of any company pension scheme. Instead he received cash payments in the year totalling £66,000 (2013: £66,000).

5. TAX ON LOSS ON ORDINARY ACTIVITIES

The credit based on the profit for the year comprises:

	2014 £'000	2013 £'000
UK corporation tax:		
– current tax on profits for the year	**(316)**	(425)
Total current tax	**(316)**	(425)
UK deferred tax:		
Origination and reversal of temporary differences in respect of:		
– profit for the year	**44**	25
– change in rate	**35**	14
– adjustment in respect of prior years	**(12)**	10
Total deferred tax	**67**	49
Total taxation credit for the year	**(249)**	(376)

Factors affecting tax credit for the year:

	2014 £'000	2013 £'000
Loss before taxation	**(1,270)**	(1,805)
Loss before taxation at the standard rate of corporation tax in the UK of 23% (2013: 24%)	**(292)**	(433)
Effects of:		
– permanent differences	**20**	33
– adjustment in respect of prior years	**(12)**	10
– change in rate reflected in the deferred tax asset	**35**	14
Total taxation credit for the year	**(249)**	(376)

Factors affecting the current and future tax charges

As a result of the change in the UK main corporation tax rate from 23% to 20% that was enacted substantively at the balance sheet date and that became effective from July 2013, the relevant deferred tax balances have been remeasured. The UK main corporation tax rate became 21% on 1 April 2014 before it will reduce to 20% on 1 April 2015.

6. SHARE-BASED PAYMENTS

The Company participated in one share-based payment scheme during the year ended 31 March 2014, the Share Incentive Plan (SIP), operated by the Company's ultimate parent undertaking, KCOM Group PLC. The Company recognised a total charge of £29,000 (2013: £31,000) in the year relating to share-based payment transactions issued after 7 November 2002.

Share Incentive Plan (SIP)

The SIP is open to all employees and offers partnership, matching and free shares (the basis depends on the individual's contribution into the scheme) in the ultimate parent undertaking, KCOM Group PLC. No performance criteria are attached to these matching shares other than an employee must remain in employment for five years from the date of grant to be able to have their free and matching shares. In 2013/14, 46,049 matching shares were granted during the year for KC Contact Centres Limited employees.

Share Incentive Plan (SIP) (continued)

	Number	**Weighted average exercise price (pence)**
Outstanding at the beginning of the year	295,403	Nil
Granted during the year	46,049	Nil
Lapsed during the year	(69,300)	Nil
	272,152	Nil

7. INTANGIBLE ASSETS

	Customer relationships £'000	Software £'000	Total £'000
Cost			
At 1 April 2013	310	27	337
Additions	—	48	48
At 31 March 2014	**310**	**75**	**385**
Accumulated amortisation			
At 1 April 2013	193	—	193
Charge for the year	59	15	74
At 31 March 2014	**252**	**15**	**267**
Net book value			
At 31 March 2014	**58**	**60**	**118**
At 31 March 2013	117	27	144

8. PROPERTY, PLANT AND EQUIPMENT

	Exchange equipment £'000	Vehicles, other apparatus and equipment £'000	Total £'000
Cost			
At 1 April 2013	901	2,165	3,066
Additions	—	74	74
At 31 March 2014	**901**	**2,239**	**3,140**
Accumulated depreciation			
At 1 April 2013	879	2,096	2,975
Charge for the year	14	43	57
At 31 March 2014	**893**	**2,139**	**3,032**
Net book value			
At 31 March 2014	**8**	**100**	**108**
At 31 March 2013	22	69	91

9. TRADE AND OTHER RECEIVABLES DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade debtors	**255**	407
Amounts owed by group undertakings	**166**	112
Group relief debtor	**316**	425
Prepayments	**8**	29
Accrued income	**278**	55
	1,023	1,028

Amounts owed by group undertakings within one year are unsecured, have no fixed date of repayment, bear no interest and are repayable on demand.

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2014 £'000	2013 £'000
Trade creditors	**203**	74
Amounts owed to group undertakings	**378**	431
VAT creditor	**140**	185
Accruals	**139**	120
	860	810

Amounts due to group undertakings are unsecured, bear no interest and are repayable on demand.

11. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2014 £'000	2013 £'000
Amounts owed to group undertakings	**19,379**	18,522

Amounts owed to group undertakings are unsecured and are repayable on demand. There are no formal arrangements for the repayment of amounts owed by group undertakings greater than one year. However, none of the amounts are due within one year. Interest at market rates is charged on amounts due to group undertakings due after more than one year, except for amounts due to dormant entities where nil interest is charged.

12. DEFERRED TAX ASSET

	Total £'000
At 1 April 2013	302
Charged to income statement (note 5)	(67)
At 31 March 2014	**235**

Deferred tax comprises:

	2014 £'000	2013 £'000
Property, plant and equipment	**235**	300
Other timing differences	**—**	2
	235	302

Deferred tax assets have been recognised where there is sufficient available evidence that suitable taxable profits will arise against which these assets are expected to reverse. There are no unrecognised deferred tax assets in either year.

13. SHARE CAPITAL

Alloted and fully paid	**2014 £'000**	2013 £'000
510,000 (2013: 510,000) "A" ordinary shares of 1p each	**5**	5
490,000 (2013: 490,000) "B" ordinary shares of 1p each	**5**	5
	10	10

14. GUARANTEES AND FINANCIAL COMMITMENTS

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

Plant and equipment	**2014 £'000**	2013 £'000
Leases which expire:		
- within one year	**—**	—
- between two and five years	**13**	5
	13	5

None of the Company's lease arrangements include any contingent rent payments and there are no renewal or purchase options or escalation clauses.

There are also no restrictions imposed by the Company's lease arrangements.

The group loan facilities are secured by guarantees given by all material subsidiaries of KCOM Group PLC, including KC Contact Centres Limited, in favour of the banks. At 31 March 2014 the amount drawn down under the loan facility was £85,000,000 (2013: £105,000,000).

15. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is KCH (Holdings) Limited. Copies of KCH (Holdings) Limited's annual report and financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE.

The parent undertaking of the smallest and largest group of undertakings for which group financial statements are drawn up and of which the company is a member is KCOM Group PLC, registered in England and Wales. KCOM Group PLC is also the company's ultimate controlling party. Copies of KCOM Group PLC's annual report and financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE.