

**SMART421 LIMITED**

**Annual Report and Financial Statements**

**for the year ended 31 March 2013**



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**SMART421 LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31  
MARCH 2013**

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**SMART421 LIMITED**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

P Simpson  
W Halbert

**COMPANY SECRETARY**

K Smith

**REGISTERED OFFICE**

37 Carr Lane  
Hull  
HU1 3RE

**BANKERS**

Lloyds TSB  
49 Howardsgate  
Welwyn Garden City  
Herts  
AL8 6BA

**INDEPENDENT AUDITORS**

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

# SMART421 LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2013

### PRINCIPAL ACTIVITIES

The principal activity of the Company is the provision of IT services specialising in the delivery of innovative IT solutions, the design, build and operation of complex integration projects and application service management. The Company retains a broad base of blue chip clients across a range of industry sectors.

### RESULTS AND DIVIDENDS

The profit for the year attributable to shareholders amounts to £1,666,000 (2012 £1,902,000). The directors have paid no ordinary dividends (2012 £Nil) during the year.

### REVIEW OF THE BUSINESS

The year ended 31 March 2013 has been another successful year for the Company. Revenues increased for the fourth year in a row to £27,763,000. Cloud related consultancy services continue to be a particular growth area. The Company is a Premier Consulting Partner of Amazon Web Services (AWS), the highest level of consultancy partnership in the AWS partner programme. Revenues generated through sales opportunities referred in by other KCOM group companies also rose again from £5,113,000 to £5,641,000.

Staff costs are the principal cost of sale of the business. The Company continues to concentrate on managing its staff resources efficiently and has maintained an average fee earning utilisation rate in excess of 90%. The Company also has significantly below industry average rates of staff turnover which enables experience and knowledge to be retained in the business. This in turn has allowed the Company to protect its gross margin despite on-going pricing pressures from customers.

The Company has made some targeted investments in its management and support functions to facilitate future growth but has managed to keep non fee earning costs as a percentage of annual sales at a similar level to the prior year.

### KEY PERFORMANCE INDICATORS

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000
Revenue	27,763	27,438
Profit before taxation	2,227	2,287
Operating profit (%)	7.0%	7.4%

### STRATEGIC OBJECTIVES

The Company's strategic objectives are aligned with KCOM Group PLC and can be found in the KCOM Group PLC annual report and accounts on pages 6 and 7.

### FUTURE DEVELOPMENTS

The Directors are focused on achieving profitable growth for the company as a result of building relationships with customers, expanding its leading architecture consulting team and by maintaining strategic partnerships with IBM, Microsoft, Oracle and Amazon Web Services. For further details of future developments, see pages 16 to 17 of the KCOM Group PLC annual report and accounts.

### 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, business continuity, customer services and delivery and recruitment and retention of staff. Further details of the risks can be found in the Risk Management section of the Directors' Report on pages 24 to 27 in the annual report and accounts of the KCOM Group PLC.

# **SMART421 LIMITED**

## **DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013**

### **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 26 of the Directors' report in the annual report and accounts 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. Staff briefings are held 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 30 of the Directors' Report in the annual report and accounts of KCOM Group PLC.

### **POLICY AND PRACTICE ON PAYMENT OF CREDITORS**

The Company aims to pay all of their suppliers within a reasonable period of the invoice being received and in any case within the supplier's own standard payment period. The company is a registered supporter of the Better Payment Practice Group's 'Better Payment Practice Code' to which it subscribes when dealing with its suppliers. Copies of the Better Payment Practice Group's code are available from the Department for Business, Innovation and Skills (BIS). At 31 March 2013, the company's trade creditors represented 32 days of trade purchases (2012: 30 days).

### **DIRECTORS**

The directors who served during the year and up to the date of signing the financial statements are listed on page 1.

### **CHARITABLE CONTRIBUTIONS**

During the year the company made charitable contributions of £Nil (2012: £Nil). No political contributions were made (2012: £Nil).

### **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 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 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

**SMART421 LIMITED**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2013**

**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

On behalf of the board



P Simpson  
Director

17 December 2013

## **SMART421 LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMART421 LIMITED**

We have audited the financial statements of Smart421 Limited for the year ended 31 March 2013 which comprise the profit and loss account, the balance sheet, and the related notes. 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).

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of directors' responsibilities set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

#### **Scope of the audit of the financial statements**

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.

In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its profit 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 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, 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.



Ian Morrison (Senior Statutory Auditor)

For and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
17 December 2013

**SMART421 LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 March 2013**

	Note	2013 £'000	2012 £'000
<b>TURNOVER</b>	2	27,763	27,438
Staff costs	3	(11,168)	(10,731)
Other operating charges		(14,653)	(14,664)
Total staff costs and other operating charges	3	(25,821)	(25,395)
<b>OPERATING PROFIT</b>	3	1,942	2,043
Interest receivable and similar income	6	285	244
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		2,227	2,287
Tax on profit on ordinary activities	7	(561)	(385)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	16	1,666	1,902

The above results are all derived from continuing operations

There are no material differences between the profit on ordinary activities before taxation and the profit for the financial years stated above and their historical cost equivalents

The company has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented



**SMART421 LIMITED**  
**BALANCE SHEET**  
**As at 31 March 2013**

	Note	2013 £'000	2012 £'000
<b>FIXED ASSETS</b>			
Tangible assets	9	186	230
<b>CURRENT ASSETS</b>			
Debtors amounts falling due within one year	10	7,298	6,392
Debtors amounts falling due after more than one year	11	10,645	10,114
Deferred tax asset	14	303	144
Cash at bank and in hand		2,645	2,021
		<u>20,891</u>	<u>18,671</u>
<b>CREDITORS amounts falling due within one year</b>	12	<u>(5,624)</u>	<u>(5,609)</u>
<b>NET CURRENT ASSETS</b>		<u>15,267</u>	<u>13,062</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		15,453	13,292
<b>CREDITORS: amounts falling due after more than one year</b>	13	<u>(268)</u>	<u>(268)</u>
<b>NET ASSETS</b>		<u>15,185</u>	<u>13,024</u>
<b>CAPITAL AND RESERVES</b>			
Called-up share capital	15	2,000	2,000
Share premium account	16	540	540
Other reserves	16	(34)	(34)
Profit and loss account	16	12,679	10,518
<b>TOTAL SHAREHOLDERS' FUNDS</b>	16	<u>15,185</u>	<u>13,024</u>

These financial statements on pages 6 to 15 were approved by the Board of Directors on (7 December 2012 and signed on their behalf by



P Simpson  
 Director

Smart421 Limited

Company Registration No. 3908235

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**1. ACCOUNTING POLICIES**

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

**Basis of accounting**

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable United Kingdom accounting standards.

**Cash flow and related party disclosures**

As at 31 March 2013, the company was a subsidiary undertaking where 100% of the voting rights were controlled within the KCOM Group PLC group and was included in the consolidated financial statements of that group, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of Financial Reporting Standard (FRS) 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the KCOM Group PLC group or investees of that group.

**Tangible fixed assets and depreciation**

Tangible fixed assets are stated at historic cost less accumulated depreciation and any provision for impairment.

The cost of tangible fixed assets 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 lives as follows:

Vehicles, other apparatus and equipment - 3 to 10 years

**Operating leases**

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

**Turnover**

Turnover comprises the invoice value of services provided, exclusive of VAT.

Turnover from IT services is recognised in the Company's profit and loss account at the time the services are performed. In respect of long terms contracts, turnover represents the value of work performed in the period, including amounts not invoiced based on their stage of completion.

**Taxation**

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**1. ACCOUNTING POLICIES (CONTINUED)**

**Pensions**

The company provides pension arrangements to employees through a defined contribution arrangement. For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

**Share-based payments**

The company has applied the requirements of FRS 20 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 invested 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.

The fair value of equity-settled share-based payments relating to Smart421 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.

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 Smart421 Limited are recognised as an expense over the period of any applicable service condition, or immediately when no service condition exists.

**2. TURNOVER**

Turnover is attributable to the principal continuing activity of the Company of providing IT services, and is generated wholly within the UK and Europe.

**3. OPERATING PROFIT**

Operating profit is stated after charging	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Contractor fees	10,738	10,512
Other external charges	295	380
Operating lease rentals – other operating leases	149	117
Staff costs		
- wages and salaries	9,251	8,925
- social security costs	997	973
- other pension costs	456	368
- share scheme charges	465	465
Group management charges	946	842
Depreciation of tangible assets	122	111
Services provided by the Company's auditor		
- fees payable for the audit	16	12
	<u>          </u>	<u>          </u>

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.

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**4. DIRECTORS' EMOLUMENTS**

At 31 March 2013, 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 £295,000 (2012 £317,000) 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 £46,000 on behalf of Mr P Simpson (2012 £58,000)

Mr W Halbert received total emoluments of £468,000 (2012 £522,000) 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 (2012 £85,000)

**5. STAFF NUMBERS**

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

	<b>2013</b>	<b>2012</b>
	<b>No</b>	<b>No</b>
IT services	110	108
Management, support, sales and marketing	45	42
	<u>155</u>	<u>150</u>

**6. INTEREST RECEIVABLE AND SIMILAR INCOME**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Interest receivable on amounts owed by group undertakings	285	244
	<u>285</u>	<u>244</u>

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

a) The tax charge comprises

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Current tax</b>		
Payment for group relief		
- charge for the year	634	246
<b>Total current tax</b>	<u>634</u>	<u>246</u>
<b>Deferred tax</b>		
- origination and reversal of timing differences	(69)	36
- adjustment in respect of prior years	(4)	103
<b>Total deferred tax (note 14)</b>	<u>(73)</u>	<u>139</u>
<b>Tax on profit on ordinary activities</b>	<u>561</u>	<u>385</u>

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES (CONTINUED)**

b) The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit on ordinary activities before tax</b>	2,227	2,287
Tax on profit on ordinary activities at standard UK corporation tax rate of 24% (2012 26%)	534	595
Effects of		
Expenses not deductible for tax purposes	8	(326)
Accelerated capital allowances	69	(36)
Other timing differences	23	13
<b>Current tax charge for period</b>	<b>634</b>	<b>246</b>

c) Factors that may affect future tax charges

As a result of the change in the UK main corporation tax rate from 24% to 23% that was substantively enacted at the balance sheet date and that became effective from 1 April 2013, the relevant deferred tax balances have been re-measured. Further reductions in the UK corporation tax rate were announced in the March 2013 Budget. The changes proposed to reduce the rate by 2% to 21% by April 2014 and by a further 1% to 20% on 1 April 2015. These changes were substantively enacted in the July 2013 Finance Act. The changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in the financial statements.

**8. SHARE-BASED PAYMENTS**

The Company participated in two (2012 two) share-based payment schemes during the year ended 31 March 2013, the Share Incentive Plan (SIP) and the Smart421 Incentive Scheme, both operated by the Company's ultimate parent undertaking, KCOM Group PLC. The Company recognised a total charge of £465,000 (2012 £465,000) in the year relating to share-based payment transactions issued after 7 November 2002. Details of the schemes are provided below.

**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 2012/13, 122,181 matching shares lapsed during the year for Smart421 Limited employees and a charge of £47,000 (2012 £47,000) was recognised.

	<b>Number</b>	<b>Weighted average exercise price (pence)</b>
Outstanding at the beginning of the year	609,202	Nil
Granted during the year	103,786	Nil
Lapsed during the year	(122,181)	Nil
	<b>590,807</b>	<b>Nil</b>

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**8. SHARE-BASED PAYMENTS (CONTINUED)**

**Smart421 Incentive Scheme**

The Smart421 Incentive Scheme is an equity-settled share based payment scheme open to senior management in the Smart421 brand. The awards were granted at nil cost on 1 August 2011 and vest dependent on specific performance conditions over a three year performance period. In 2012/13, a charge of £418,000 (2012 £418,000) was recognised by the Company.

	<b>Number</b>	<b>Weighted average exercise price (pence)</b>
Outstanding at the beginning and end of the year	1,500,000	Nil

None of these awards were exercisable at the year end. The awards have been valued using a Black Scholes model.

The weighted average assumptions used during the year are as follows:

Share price at date of grant (pence)	84
Exercise price (pence)	Nil
Expected volatility (%)	50
Risk free rate (%)	2.00

**9. TANGIBLE ASSETS**

	<b>Vehicles, other apparatus and equipment £'000</b>
<b>Cost</b>	
At 1 April 2012	932
Additions	78
Disposals	(47)
At 31 March 2013	963
<b>Accumulated depreciation</b>	
At 1 April 2012	702
Charge for the year	122
Disposals	(47)
At 31 March 2013	777
<b>Net book value</b>	
At 31 March 2013	186
At 31 March 2012	230

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	5,333	4,794
Amounts owed by group undertakings	404	465
Prepayments and accrued income	1,561	1,133
	<u>7,298</u>	<u>6,392</u>

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

**11 DEBTORS. AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by group undertakings	<u>10,645</u>	<u>10,114</u>

Amounts owed by group undertakings are unsecured. There are no formal arrangements for the repayment of amounts owed by group undertakings greater than one year. However, repayment is confirmed as not being required 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. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	1,415	1,275
Amounts owed to group undertakings	2,314	1,684
Other taxation and social security	537	727
Other creditors	16	16
Accruals and deferred income	1,342	1,907
	<u>5,624</u>	<u>5,609</u>

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

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

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed to group undertakings	<u>268</u>	<u>268</u>

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, repayment is confirmed as not being required 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.

**SMART421 LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**Year ended 31 March 2013**

**14 DEFERRED TAX ASSET**

	<b>£'000</b>	
At 1 April 2012		144
Credited to profit and loss account (Note 7)		73
Transferred to reserves		86
		<u>303</u>
At 31 March 2013		<u>303</u>
Deferred tax comprises		
	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Accelerated capital allowances	124	138
Other timing differences	179	6
	<u>303</u>	<u>144</u>

There are no unrecognised deferred tax assets in either year

**15. CALLED-UP SHARE CAPITAL**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
2,500,000 (2012 2,500,000) ordinary shares of £1 each	2,500	2,500
500,000 (2012 500,000) deferred ordinary shares of £1 each	500	500
	<u>2,000</u>	<u>2,000</u>
<b>Allotted and fully paid</b>		
2,000,001 (2012 2,000,001) ordinary shares of £1 each	2,000	2,000
	<u>2,000</u>	<u>2,000</u>

**16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES**

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Profit and loss</b>	<b>Total Equity Shareholders' funds</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
As at 1 April 2011	2,000	540	(34)	8,208	10,714
Profit for the financial year	-	-	-	1,902	1,902
Share scheme charges	-	-	-	408	408
	<u>2,000</u>	<u>540</u>	<u>(34)</u>	<u>10,518</u>	<u>13,024</u>
As at 1 April 2012	2,000	540	(34)	10,518	13,024
Profit for the financial year	-	-	-	1,666	1,666
Share scheme charges	-	-	-	408	408
Historical tax on share schemes (Note 14)	-	-	-	86	86
	<u>2,000</u>	<u>540</u>	<u>(34)</u>	<u>12,679</u>	<u>15,185</u>
As at 31 March 2013	<u>2,000</u>	<u>540</u>	<u>(34)</u>	<u>12,679</u>	<u>15,185</u>



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**17. GUARANTEES AND FINANCIAL COMMITMENTS**

Annual commitments under non-cancellable operating leases are as follows

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Land and buildings</b>		
Leases which expire		
- between one and two years	213	140
	<u>          </u>	<u>          </u>
<b>Other</b>		
Leases which expire		
- between one and two years	2	11
- between two and five years	30	-
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	32	11
	<u>          </u>	<u>          </u>

**18. PARENT UNDERTAKING AND CONTROLLING PARTY**

The company's immediate parent undertaking is Smart421 Technology Group Limited. Copies of Smart421 Technology Group Limited's 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 financial statements can be obtained from 37 Carr Lane, Hull, HU1 3RE