timico
technology group

Timico Technology Group Limited
Reports and Financial Statements

Company Registration No. 07427648

31 December 2009

INDEPENDENT REGISTERED AUDITOR
Deloitte LLP, Chartered Accountants and Registered Auditor

Deloitte.

Company Registration No. 4841830

TIMICO LIMITED

Report and Financial Statements

31 December 2009

REPORT AND FINANCIAL STATEMENTS

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REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

T P Radford (Chairman)
J V Radford
C J Tombs
H T Davies
J Sumsion

COMPANY SECRETARY

J V Radford

REGISTERED OFFICE

Beacon Hill Park
Newark
Notts
NG24 2TN

PRINCIPAL BANKERS

Bank of Scotland
15 Queen Street
Nottingham
NG1 2BL

INDEPENDENT REGISTERED AUDITORS

Deloitte LLP
Nottingham, UK

PRINCIPAL LEGAL ADVISORS

Eversheds LLP
Nottingham, UK

DIRECTORS' REPORT

The Directors present their Annual Report and the audited Financial Statements for the year ended 31 December 2009.

ACTIVITIES

The principal activity of the Group is the provision of telecommunications and internet services.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Despite a very challenging market, the Group managed to make progress. Turnover for the year increased by 7.2% to £21,904,000 (2008: £20,425,000) driven by organic growth. In addition, the Group increased EBITDA, being operating profit before exceptionals, depreciation and amortisation, to £1,332,000 (2008: £940,000) and pre-tax profit before exceptional costs to £662,000 (2008: £301,000).

In 2009, the Board decided to shut two trading subsidiaries, Ke-Connect Systems Limited and Twang.net Limited, and transfer these trades to Newark under the Timico brand. This resulted in the closure of both the Ipswich office and the main Newbury office. Regrettably not all of the employees concerned were able to move location or find a suitable job within the Timico group and this resulted in a number of redundancies. The cost of this exercise has been included in the consolidated Financial Statements as an exceptional item of £205,000.

In addition, the shareholders passed resolutions at the AGM in May 2009 to reorganise the balance sheet reserves and the deficit on the profit and loss reserve was cancelled against the share premium account. This not only puts a more positive light on the balance sheet but also puts the Group in a position to pay dividends in the future.

The Directors monitor the performance of the business using the performance indicators as set out in the table below.

	2009	2008
Growth in sales	7%	36%
Gross profit margin	35%	35%
EBITDA margin	6%	5%
Sales to administrative expenses ratio	3.40	3.34

In September 2009, the Group was once again named in the top 20 of the Sunday Times Tech Track league table which ranks the fastest growing, privately owned technology companies in the UK and in addition in November 2009, the Group was named in the top 10 of the prestigious Deloitte's Technology Fast 50.

Economic conditions in 2010 will remain difficult but there is no reason why the Group should not grow both organic sales and profits. In addition, in January 2010, the Group acquired Newnet plc, a £5 million turnover ISP operating in Fareham, Hampshire. To finance the acquisition, the Company issued £3 million of 10% convertible loan notes to its current shareholder base. It is a measure of the shareholders' confidence in the business and this offer was fully subscribed.

This acquisition will ensure that the Group shows substantial turnover growth in 2010 and a good level of profitablility. The Directors have prepared a forecast for 12 months from the date of signing the Financial Statements which shows the Group trading within its available debt facilities and the first quarter results show a marked increase in the level of profitability versus 2009. The Group is well funded and the Directors look forward to the future with confidence. Accordingly, the Financial Statements are prepared on a going concern basis.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider the following risks to be the most material or significant for the management of the business. These issues do not purport to be a complete list or explanation of all the risk factors facing the Group. In particular the Group's performance may be affected by changes in the market and/or economic conditions and changes in legal, regulatory or tax requirement legislation. Additional risks and uncertainties not presently known by the Group or that the Group currently deems immaterial may also impact the business.

Contracts with suppliers

The Group resells the products of some of its suppliers and whilst many of the Group's products are supplier agnostic and there exists a freedom to substitute various suppliers' products, the Group acknowledges that the Group has reliance in particular on the contracts with the mobile network operators O2 and Vodafone. The Group mitigates this risk by maintaining strong relationships with its suppliers at various levels of the business, as well as paying close attention to ensure expectations of suppliers are met.

Technological changes

The Group operates in a market of rapid and dynamic technological changes and there is a risk that the Group fails to secure the necessary contracts to supply its customers with a new technology which substitutes existing technology. The Group mitigates this risk by maintaining close relationships with its suppliers and by employing a Technology Director and associated team who report to the Group Board. Their duties include research, review and procurement of appropriate new technology products for testing prior to release to our customers.

Ability to continue to attract and retain key sales and client management executives

The Group is a direct sales and marketing business and whilst the revenues of the Group are largely recurring on a monthly basis, the Group depends on being able to recruit and retain staff of the right calibre in order to win and service key contracts. The Group has sought to mitigate this risk by investing in a clear succession and training plan for career development and improving employees' benefits. The Board monitors the results of recruitment statistics and staff attrition by department on a regular basis.

Acquisition integration execution

The Group has set out that its strategy includes the acquisition of businesses. The Board acknowledges that there is a risk of operational disturbance in the course of integrating the business with existing operations. The Group mitigates this risk by careful planning and due diligence.

DIRECTORS' REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

Regulatory risk

The Group acknowledges that the pricing of products and services can be affected by regulatory bodies in the UK and the EU. In recent years, pence per minute pricing from fixed to mobile destinations and EU roaming mobile pricing have been substantially altered and this has had an impact on the results of the business. In 2009, there was a substantial change to inbound telephony product pricing as 0870 prices were regulated. This meant that the income stream of a "revenue share" where the operators used to pass back a percentage of the call costs to the customer who receives the call, was effectively terminated. The Board believes that where the pricing regulations are directed at wholesale prices, the Group is more able to mitigate the risk through its own buying and pricing policies. Where the regulator imposes price caps at the retail level, the Group is more exposed to a reduction in margin where the operators do not substantially reduce their wholesale prices. The Group mitigates the risk by careful and detailed research on future regulations and has been involved in lobbying where applicable. The Group will assess each risk and build its own forecasts of income and will amend pricing policies accordingly.

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group is exposed to interest rate changes as all cash is held at floating rates.

The Group manages its credit risk by having thousands of customers.

Liquidity risk is managed by keeping sufficient cash funds in bank accounts to maintain day to day operations.

ACCOUNTING POLICY

During the year, the Directors decided to amend the accounting policy for service provider costs. This resulted in a restatement of the Group and Company balance sheets and the Company profit and loss account – see note 28 for the impact on the Financial Statements.

DIRECTORS

The Directors who served during the year and subsequently were as follows:

T P Radford
J V Radford
C J Tombs
H T Davies
M C D Gimlette (resigned 30 April 2009)
J Sumsion
R Kemp (resigned 30 April 2009)

DIRECTORS' REPORT (Continued)

AUDITORS

Each of the persons who is a Director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the 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.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP are willing to continue in office as auditors and a resolution for their re-appointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

J V Radford
Finance Director and Company Secretary

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for preparing the Annual 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 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 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TIMICO LIMITED

We have audited the Group and parent Company Financial Statements (the "Financial Statements") of Timico Limited for the year ended 31 December 2009 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and related notes 1 to 28. These Financial Statements have been prepared under the accounting policies set out therein.

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 auditors' 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 Auditors

As explained more fully in the Directors' Responsibilities Statement, 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 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

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 Group's and the parent 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.

Opinion on Financial Statements

In our opinion, the Financial Statements:

- give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 December 2009 and of the Group's 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 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.

Mark Doleman (Senior Statutory Auditor), FCA
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Nottingham, United Kingdom

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2009

	Note	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Turnover: continuing operations	1	21,904	20,425
Cost of sales		(14,133)	(13,369)
Gross profit		7,771	7,056
Administrative expenses		(6,439)	(6,116)
Operating profit before exceptional, depreciation and amortisation		1,332	940
Depreciation and amortisation		(635)	(606)
Operating profit before exceptional items		697	334
Exceptional items		(205)	-
Operating profit: continuing operations	5	492	334
Interest payable and similar charges	4	(46)	(83)
Interest receivable and similar income		11	50
Profit on ordinary activities before taxation		457	301
Tax on profit on ordinary activities	6	-	(42)
Retained profit for the year	18,19	457	259

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 2009

	Note	Year ended 31 December 2009 £000	Year ended 31 December 2008 £000
Profit for the financial year		457	259
Prior year adjustment	28	(348)	
Total gains and losses recognised since last annual report and financial statements		109	

BALANCE SHEETS

At 31 December 2009

	Note	Group 2009 £000	Restated Group (note 28) 2008 £000	Company 2009 £000	Restated Company (note 28) 2008 £000
Fixed assets					
Goodwill	9	4,572	4,844	4,572	298
Tangible assets	10	878	681	878	484
Investments	11	-	-	-	4,744
		5,450	5,525	5,450	5,526
Current assets					
Stock		63	61	63	64
Debtors	12	3,881	4,428	4,129	3,831
Cash at bank and in hand	13	910	686	910	674
		4,854	5,175	5,102	4,569
Creditors: amounts falling due within one year	14	(3,380)	(4,560)	(4,125)	(3,938)
Net current assets		1,474	615	977	631
Total assets less current liabilities		6,924	6,140	6,427	6,157
Creditors: amounts falling due after more than one year	15	(289)	(82)	(289)	(75)
Net assets		6,635	6,058	6,138	6,082
Capital and reserves					
Called up share capital	17	706	694	706	694
Share premium account	19	5,640	9,821	5,640	9,821
Profit and loss account	19	289	(4,457)	(208)	(4,433)
Total shareholders' funds		6,635	6,058	6,138	6,082

The balance sheets as at 31 December 2008 have been restated following a change in the accounting policy for cost of sales – see note 28.

These Financial Statements were approved by the Board of Directors and authorised for issue on 23 April 2010
Signed on behalf of the Board of Directors

J V Radford
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2009

	Note	2009 £000	2008 £000
Net cash inflow/(outflow) from operating activities	21	650	(298)
Returns on investments and servicing of finance			
Interest received		11	50
Interest paid		(28)	(43)
Interest element of finance lease rental payments		(18)	(40)
Net cash outflow from returns on investments and servicing of finance		(35)	(33)
Corporation tax			
Corporation tax paid		(33)	(23)
Capital expenditure			
Payments to acquire tangible fixed assets		(539)	(310)
Receipt from sale of tangible fixed assets		-	46
Net cash outflow from capital expenditure		(539)	(264)
Acquisitions and disposals			
Purchase of subsidiary undertaking		-	(1,761)
Overdraft acquired with subsidiary undertaking		-	(88)
Deferred consideration for purchase of subsidiary in prior year		(1)	(250)
Net cash outflow from acquisitions and disposals		(1)	(2,099)
Net cash inflow/(outflow) before financing		42	(2,717)
Financing			
Issue of shares		120	3,018
Issue of loan notes		280	-
Capital element of finance lease rentals		(197)	(265)
Net cash inflow from financing		203	2,753
Increase in cash	22,23	245	36

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES

The Financial Statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention. The particular policies adopted by the Directors are described below and have been applied consistently in both the current and prior year.

The Directors have prepared a forecast for 12 months from the date of signing the Financial Statements which shows the Group trading within its available debt facilities and the first quarter results show a marked increase in the level of profitability versus 2009. Accordingly the Financial Statements are prepared on a going concern basis.

During the year, the Directors amended their accounting policy relating to service provider costs which resulted in the restatement of the 2008 balance sheets. See note 28 for further details.

Basis of consolidation

The consolidated Financial Statements incorporate the Financial Statements of the Company and all its subsidiaries.

Acquisitions

On the acquisition of a business, including an interest in an associated undertaking, fair values are attributed to the Group's share of net separable assets. Where the cost of acquisition exceeds the fair values attributable to such net assets, the difference is treated as purchased goodwill and is capitalised in the Group balance sheet in the year of acquisition and written off on a straight line basis over its useful economic life. Provision is made for any impairment.

The results and cash flows relating to a business are included in the consolidated profit and loss account and consolidated cash flow statement from the date of acquisition or up to the date of disposal.

Turnover

Turnover is the value of goods and services sold within the Group's ordinary activities after deduction of trade discounts and value-added tax. Turnover includes network performance bonuses which are immediately recognised in turnover when they are contractually received.

The Directors consider there to be only one geographical segment and one class of business. As a result, segmental information is not required.

Intangible fixed assets

Purchased goodwill is written off over the estimated useful economic life of the asset which the Directors consider to be 10 years for Atlas Advanced Internet Solutions Limited and 20 years for Ke-Connect Systems Limited and Twang.net Limited.

1. ACCOUNTING POLICIES (Continued)

Tangible fixed assets

Depreciation of fixed assets is calculated to write down their cost less their estimated residual value during their expected useful lives at the following rates:

Freehold property	0%
Office equipment	20%
Computer hardware and software	25% or 33.3%
Motor vehicles	25%

Tangible fixed assets are stated at cost or valuation, net of depreciation and provision for impairment.

Investments

Investments are stated at cost less provision for impairment.

Stock

Stock for resale is stated at the lower of cost and net realisable value. Cost is calculated as purchase price. All stock represents finished goods.

Subscriber acquisition costs

Recoverable direct costs incurred in acquiring a new subscriber are capitalised and charged to the profit and loss account over the contract period which the Directors believe is a prudent estimate of the economic life of a subscriber. All costs capitalised in respect of subscribers subsequently disconnected are immediately written off to the profit and loss account.

Taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the Financial Statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

1. ACCOUNTING POLICIES (Continued)

Pensions

Contributions to personal pension schemes are charged to the profit and loss account as incurred.

Leases

Finance leases are those which transfer to the company substantially all the risks and benefits incidental to ownership of the leased asset, and are valued at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Convertible loan notes

In accordance with the contractual obligations, the loan notes are recorded upon issue at cost as a financial liability. The finance costs of the financial liability are recognised over the term of the debt at a constant rate on the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2009 £000	2008 £000
Directors' emoluments		
Directors' remuneration	518	511
Contribution to pension schemes	34	42
	552	553

Pension contributions were made on behalf of six (2008: five) Directors to a defined contribution pension scheme.

	2009 Group Number	2008 Group Number	2009 Company Number	2008 Company Number
Average number of persons employed including Directors				
Sales and service	100	95	73	49
Administration	33	34	32	30
	133	129	105	79
	£000	**£000**	**£000**	**£000**
Staff costs during the year including Directors				
Wages and salaries	4,139	3,934	3,609	2,649
Social security costs	438	415	378	277
Pension costs	80	80	73	61
	4,657	4,429	4,060	2,987

	2009 £000	2008 £000
Directors		
Highest paid director		
Salary	120	120
Pension contribution	12	12
	132	132

3. PENSIONS

The pension charge for the year was £80,000 (2008: £80,000). At the year end, contributions of £12,000 were outstanding (2008: £10,000).

4. INTEREST PAYABLE

	2009 £000	2008 £000
Hire purchase contracts	18	40
Bank	1	4
Other	27	39
	46	83

5. OPERATING PROFIT

	2009 £000	2008 £000
Operating profit is after charging/(crediting):		
Depreciation and amortisation		
Owned assets	247	209
Assets held under hire purchase contracts	95	146
Goodwill amortisation	293	251
Loss on disposal of fixed assets	-	21
Rentals under operating leases		
Land and buildings	261	239
Other	8	29
Exceptional items	205	-

The exceptional items relate to the closure of the former Ipswich and Newbury offices.

5. OPERATING PROFIT (Continued)

The analysis of auditors' remuneration is as follows:

	2009 £000	2008 £000
Fees payable to the Company's auditors for the audit of the Company's annual accounts	16	14
Fees payable to the Company's auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	4	6
Total audit fees	20	20
Other services pursuant to legislation: tax services	8	8
Total non-audit fees	8	8

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2009 £000	2008 £000
Current tax		
UK corporation tax	-	42
Deferred tax		
Current year	-	-
Total tax charge	-	42

The standard UK corporation tax rate is 28%.

The actual tax charge for the current year differs from the standard tax rate for the reasons set out in the following reconciliation:

	2009	2008
Profit on ordinary activities	457	301
Tax at standard rate	128	81
Factors affecting charge:		
Capital allowances in excess of depreciation	5	39
Expenses not deductible for tax purposes	-	8
Brought forward losses utilised	(133)	(86)
Current tax charge for the year	-	42

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

7. RESULT OF THE PARENT COMPANY

In accordance with Section 414(1) 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 £64,000 (2008: profit of £107,000).

8. SHARE BASED PAYMENTS

The Company has a share option scheme for certain employees of the Group. Options are exercisable at a price of £1 per share. If the options remain unexercised after a period of ten years from the date of grant, the options expire. Options are forfeited if the employee leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

	Number of share options 2009 Number	**Weighted average exercise price 2009 £000**	**Number of share options 2008 Number**	**Weighted average exercise price 2008 £000**
Outstanding at beginning of year	505,000	505	525,000	525
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	(120,000)	(120)	(20,000)	(20)
Outstanding at the end of the year	385,000	385	505,000	505
Exercisable at the end of the year	-	-	-	-

The Directors consider the fair value of the shares at the point of grant to be zero therefore no adjustment has been made under FRS 20.

9. GOODWILL

	Group £000	Company £000
Cost		
At 1 January 2009	5,340	502
Additions	21	4,744
At 31 December 2009	5,361	5,246
Amortisation		
At 1 January 2009	496	204
Charge for the year	293	470
Disposal	-	-
At 31 December 2009	789	674
Net book value		
At 31 December 2009	4,572	4,572
At 31 December 2008	4,844	298

The additions to Group goodwill relate to fair value adjustments on the opening balance sheet of Twang, purchased in 2008.

The Company goodwill relates to the trade and assets that were transferred from Atlas Advanced Internet Solutions Limited to Timico Limited on 1 January 2005, and the trade and assets of Ke-Connect Systems Limited and Twang.net Limited which were transferred during 2009.

10. TANGIBLE FIXED ASSETS

Group	Freehold property	Computer and office equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 January 2009	-	1,565	13	1,578
Additions	305	234	-	539
Disposals	-	(5)	-	(5)
At 31 December 2009	305	1,794	13	2,112
Accumulated depreciation				
At 1 January 2009	-	895	2	897
Charge for the year	-	339	3	342
Disposals	-	(5)	-	(5)
At 31 December 2009	-	1,229	5	1,234
Net book value				
At 31 December 2009	305	565	8	878
At 31 December 2008	-	670	11	681

Assets under HP included above:

Net book value	
At 31 December 2009	73
At 31 December 2008	171

10. TANGIBLE FIXED ASSETS (Continued)

Company	Freehold property £000	Computer and office equipment £000	Motor vehicles £000	Total £000
Cost				
At 1 January 2009	-	1,216	13	1,229
Additions	305	228	-	533
Intercompany transfer	-	158	-	158
At 31 December 2009	305	1,602	13	1,920
Accumulated depreciation				
At 1 January 2009	-	743	2	745
Charge for the year	-	294	3	297
Intercompany transfer	-	-	-	-
At 31 December 2009	-	1,037	5	1,042
Net book value				
At 31 December 2009	305	565	8	878
At 31 December 2008	-	473	11	484

Assets under HP included above:

	£000
Net book value	
At 31 December 2009	73
At 31 December 2008	150

NOTES TO THE ACCOUNTS

Year ended 31 December 2009

11. INVESTMENTS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Cost at 1 January 2009	-	-	4,744	2,395
Additions	-	-	-	2,349
Transfer to goodwill	-	-	(4,744)	
Cost at 31 December 2009	-	-	-	4,744

During the year, the trade and assets of Ke-Connect Systems Limited and Twang.net limited were transferred up into Timico at net book value of net assets.

The Company's subsidiaries were as follows:	Percentage of issued share capital held 31 December 2009 %	31 December 2008 %
Atlas Advanced Internet Solutions Limited and its subsidiary	100	100
Wireless Broadband Services Limited	100	100
Ke-Connect Group Limited and its subsidiaries	100	100
Ke-Connect Systems Limited	100	100
Ke-Connect Internet Limited	100	100
Ke-Connect Maintenance Limited	100	100
Twang.net Limited	100	100

All of the Company's subsidiaries have been included in the consolidated Financial Statements.

All of the above companies are registered in England and Wales. All issued share capital held relates to ordinary shares only.

12. DEBTORS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Trade debtors	796	1,223	796	593
Amounts due from subsidiary undertakings	-	-	-	494
Other debtors	1,703	1,576	1,951	1,351
Corporation tax	35	-	35	-
Prepayments and accrued income	1,347	1,629	1,347	1,393
	3,881	4,428	4,129	3,831

Included within other debtors are subscriber acquisition costs falling due within one year of £1,239,000 (2008: £1,148,000) and falling due after more than one year of £409,000 (2008: £366,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

13. CASH AT BANK AND IN HAND

Included in cash at bank and in hand is £100,000 which is restricted cash (2008: £60,000).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2009 £000	Restated Group (note 28) 2008 £000	Company 2009 £000	Restated Company (note 28) 2008 £000
Bank loans and overdrafts	-	21	-	-
Obligations under hire purchase contracts	54	178	54	141
Trade creditors	1,231	1,939	1,231	1,497
Amounts due to subsidiary undertakings	-	-	788	456
Other taxes and social security	405	362	405	308
Other creditors	306	519	306	519
Accruals and deferred income	1,342	1,499	1,341	1,017
Corporation tax	42	42	-	-
	3,380	4,560	4,125	3,938

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

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Obligations under hire purchase contracts (note 15a)	9	82	9	75
Loan notes (note 15b)	280	-	280	-
	289	82	289	75

(a) The obligations under hire purchase contracts are secured against the assets to which they relate. None of the obligations under hire purchase contracts are due in more than five years.

(b) The loan notes were issued on 25 June 2009 at an issue price of £1.00 per note. 50% of the notes are convertible into shares at any time between the date of issue of the notes and their settlement date. On issue, the loan notes were convertible at 1 share per £3.50 loan note. If the loan notes have not been converted, they will be redeemed on 15 June 2012 at par. Interest of 10% per annum will have been paid up until that settlement date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

16. DEFERRED TAX

	Not provided 2009 £000	Not provided 2008 £000
Group and Company		
Accelerated capital allowances	41	46
Losses	840	973
Streamed losses	19	19
Total deferred tax asset	900	1,038

As a result of the start up situation, taxable losses have been incurred which are available for offset against future taxable profits. A deferred tax asset has not been recognised as, based on detailed budgets, the Company does not anticipate sufficient taxable profits to arise in the very immediate future.

17. SHARE CAPITAL

	2009 £000	2008 £000
Authorised		
100,000,000 ordinary shares of 10p each	10,000	10,000
Called up, allotted and fully paid		
7,059,000 (2008: 6,939,000) ordinary shares of 10p each	706	694

During the year, the Company issued 120,000 ordinary shares with a nominal value of 10p. The total consideration in respect of these shares was £120,000, with the excess of consideration over nominal value, after taking into account issue costs, being allocated to the share premium account.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2009 £000	Group 2008 £000	Company 2009 £000	Company 2008 £000
Profit/(loss) for the financial year	457	259	(64)	107
Net proceeds from the issue of shares	120	3,518	120	3,518
Net increase in shareholders' funds	577	3,777	56	3,625
Opening shareholders' funds as previously stated	6,406	2,629	6,226	2,601
Prior year adjustment (note 28)	(348)	(348)	(144)	(144)
Opening shareholders' funds as restated	6,058	2,281	6,082	2,457
Closing shareholders' funds	6,635	6,058	6,138	6,082

19. STATEMENT OF MOVEMENT ON RESERVES

Group	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 January 2009 as previously stated	694	9,821	(4,109)	6,406
Prior year adjustment (note 28)	-	-	(348)	(348)
Balance at 1 January 2009 as restated	694	9,821	(4,457)	6,058
Profit for the year	-	-	457	457
Issue of shares	12	108	-	120
Capital reduction	-	(4,289)	4,289	-
Balance at 31 December 2009	706	5,640	289	6,635

Company	Share capital £000	Share premium £000	Profit and loss account £000	Total £000
Balance at 1 January 2009 as previously stated	694	9,821	(4,289)	6,226
Prior year adjustment (note 28)	-	-	(144)	(144)
Balance at 1 January 2009 as restated	694	9,821	(4,433)	6,082
Loss for the year	-	-	(64)	(64)
Issue of shares	12	108	-	120
Capital reduction	-	(4,289)	4,289	-
Balance at 31 December 2009	706	5,640	(208)	6,138

During the year, the Company performed a capital reduction, eliminating the deficit on the profit and loss account with the credit on the share premium reserve, in accordance with the requirements of Companies Act 2006.

20. OPERATING LEASE COMMITMENTS

At 31 December, the Group and Company were committed to make the following payments during the next year in respect of operating leases.

	Group Land and buildings 2009 £000	Group Land and buildings 2008 £000	Company Land and buildings 2009 £000	Company Land and buildings 2008 £000
Leases which expire:				
Within one year	4	13	4	-
Within two to five years	-	64	-	-
After five years	160	160	160	160
	164	237	164	160

	Group Other 2009 £000	Group Other 2008 £000	Company Other 2009 £000	Company Other 2008 £000
Leases which expire:				
Within one year	1	7	1	-
Within two to five years	-	1	-	-
After five years	-	-	-	-
	1	8	1	-

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	2009 £000	2008 £000
Operating profit	492	334
Goodwill amortisation	293	251
Depreciation of tangible fixed assets	342	355
Loss on disposal of fixed assets	-	21
Increase in stock	(2)	(53)
Decrease/(increase) in debtors	582	(363)
Decrease in creditors	(1,057)	(843)
Net cash inflow/(outflow) from operating activities	650	(298)

22. ANALYSIS OF NET FUNDS

	At 1 January 2009 £000	Cash flow £000	Other non-cash changes £000	At 31 December 2009 £000
Cash at bank and in hand	686	224	-	910
Bank loans and overdrafts	(21)	21	-	-
Hire purchase	(260)	197	-	(63)
	405	442	-	847

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	2009 £000	2008 £000
Increase in cash in the year	245	36
Cash inflow from decrease in finance leases	197	264
Change in net funds resulting from cash flows	442	300
New finance leases	-	-
Finance leases acquired with purchase of subsidiary undertaking	-	(68)
	442	232
Net funds at start of year	405	173
Net funds at end of year	847	405

24. RELATED PARTY TRANSACTIONS

Advantage has been taken of the exemptions in paragraph 3 (c) FRS8 Related Party Disclosures not to disclose transactions with such related parties.

In 2007, T P Radford and J V Radford lent the company £300,000 and £200,000 respectively. At 31 December 2009, £300,000 remained outstanding to T P Radford. During 2009, £200,000 was repaid to J V Radford.

Interest is accrued on this loan at a rate of 3% above the base lending rate of the Bank of England. The loan is convertible in whole or in part into ordinary shares in the capital of the Company on the basis that one ordinary share would be issued for every £2 of debt recovered.

25. CONTROLLING PARTY

The Radford family has a controlling interest in the Group as a result of controlling 68% of the issued share capital of the Company.

26. TRANSFER OF TRADE AND ASSETS

The trade and assets of Twang.net Limited and Ke-Connect Systems Limited were hived up into Timico Limited on 1 May 2009 and 1 July 2009 respectively. As a result, Twang.net Limited and Ke-Connect Systems have become dormant companies.

27. POST BALANCE SHEET EVENTS

a. £3,000,000 was raised through the issue of 10% convertible loan notes (2013) on 29 January 2010.
b. On 29 January 2010, the entire share capital of Newnet plc was acquired for an initial consideration of £2,350,000. There are also £600,000 loan notes to be paid in 2011 and £550,000 loan notes to be paid in 2013. There is no interest payable on these loan notes and they are not subject to any performance criteria.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2009

28. PRIOR PERIOD ADJUSTMENT

Following the successful integration of Ke-Connect Systems Limited and Twang.net Limited into Timico and the better availability of information, the Directors have decided to amend the accounting policy for service provider costs so that fixed line and broadband costs are fully matched against revenues.

The effects are summarised below:

Group	**Accruals**	**Retained earnings**	**Total equity**
	£000	**£000**	**£000**
2008 as previously reported	1,151	(4,109)	6,406
Adoption of accounting policy at 1 January 2008	348	(348)	(348)
Adoption of accounting policy at 31 December 2008	348	(348)	(348)
2008 restated	1,499	(4,457)	6,058

Company	**Accruals**	**Retained earnings**	**Total equity**
	£000	**£000**	**£000**
2008 as previously reported	873	(4,289)	6,226
Adoption of accounting policy at 1 January 2008	144	(144)	(144)
Adoption of accounting policy at 31 December 2008	(144)	(144)	(144)
2008 restated	1,017	(4,433)	6,082

There was no effect of the change in the accounting policy on the profit for the year to December 2008 in either the Company or the Group as the Directors estimate that the related costs for 2007 and 2008 were approximately equal.