Timico Technology Group Limited
Reports and Financial Statements

Company Registration No. 07427648

31 December 2010

INDEPENDENT REGISTERED AUDITOR
Deloitte LLP, Chartered Accountants and Registered Auditor

Deloitte.

Company Registration No. 07427648

TIMICO TECHNOLOGY GROUP LIMITED

Report and Financial Statements

31 December 2010

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

COMPANY SECRETARY

J V Radford

REGISTERED OFFICE

Beacon Hill Park
Newark
Notts
NG24 2TN

PRINCIPAL BANKERS

Santander
Bootle
Merseyside
GIR 0AA

INDEPENDENT REGISTERED AUDITOR

Deloitte LLP
Chartered Accountants and Registered Auditor
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 2010.

ACTIVITIES

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

2010 was another year of growth and development for the business despite the generally challenging economic problems prevailing in the UK.

The Group's turnover has increased by 27% during the year to £27,800,000 (2009: £21,904,000) driven by both organic growth and the acquisition of Newnet plc and Handheld PC's Limited. In addition, the Group increased EBITDA by 76% to £2,343,000 (2009: £1,332,000) and pre-tax profits by 153% to £1,158,000 (2009: £457,000).

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

	2010	2009
Growth in sales	27%	7%
Gross profit margin	36%	35%
EBITDA margin	8%	6%
Sales to administrative expenses ratio	3.67	3.40

In January 2010, the Board completed the purchase of Newnet plc, a business to business ISP based in Fareham. Newnet plc has traded profitably during the period post acquisition and has brought more hosting and colocation expertise to the Group.

During the year, the Group has gained several large customers including St John Ambulance, British Medical Association, Mitsubishi, Honda, Flagship Housing and Associated British Ports.

In addition in the second half of the year, the Group commenced a business transformation exercise to industrialise the business processes and procedures. This is a major project both in terms of cost and the need for the Group to dedicate resources to it and will be ongoing throughout 2011 and 2012. The objective of the project is to transform the Group's ability to service its customers and it will make the Group more efficient, flexible and put in place the platform to allow it to further expand the Group over the next few years.

Once again the Group was named in the Sunday Times Tech Track and in the prestigious Deloitte's Technology Fast 500.

In October 2010, the Group acquired Handheld PC's Limited for £1.1m. This acquisition, although small, has strategic importance in that it moved the Group into the area of applications and device management for the new generation of smart phones and tablets coming onto the market and cements its strategic relationship with O2.

In November 2010, Timico Technology Group Limited was incorporated to act as the new holding company for the Group.

Economic conditions in 2011 will remain challenging as the austerity measures filter through into people's pay packets, however, the Board sees no reason why the Group cannot meet these challenges in a robust manner. Current trading shows the Group performing broadly in line with management expectations and the Board is hopeful for a year of further progress. 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.

DIRECTORS' REPORT (Continued)

SHARE CAPITAL

Timico Technology Group Limited was incorporated on 2 November 2010 to act as the new holding company for the Group.

On 10 December 2010, the Company issued 7,299,000 ordinary shares of 10 pence each to the shareholders of Timico Limited. The consideration for this issue was the transfer, from the shareholders of Timico Limited to the Company, of the entire issued share capital of Timico Limited.

The Group has applied the principles of merger accounting to this transaction.

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 (Continued)

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 voice and data 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 some 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.

DIRECTORS

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

T P Radford	(appointed 2 November 2010)
J V Radford	(appointed 2 November 2010)
C J Tombs	(appointed 6 April 2011)
H T Davies	(appointed 6 April 2011)

DIRECTORS' REPORT (Continued)

AUDITOR

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 auditor is 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 auditor is 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 auditor 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 AUDITOR'S REPORT TO THE MEMBERS OF TIMICO TECHNOLOGY GROUP LIMITED

We have audited the Financial Statements of Timico Technology Group Limited for the year ended 31 December 2010 which comprise the Group Profit and Loss Account, the Group and Parent Company Balance Sheets, the Group Cash Flow Statement and related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and Auditor

As 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 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.

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 of the parent Company's affairs as at 31 December 2010 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TIMICO TECHNOLOGY GROUP LIMITED (Continued)

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 FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, United Kingdom
11 April 2011

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2010

	Note	Continuing operations £000	Year ended 31 December 2010 Acquisitions £000	Group total £000	Year ended 31 December 2009 £000
Turnover	1	23,191	4,609	27,800	21,904
Cost of sales		(14,830)	(3,039)	(17,869)	(14,133)
Gross profit		8,361	1,570	9,931	7,771
Administrative expenses		(6,246)	(1,342)	(7,588)	(6,439)
Operating profit before exceptional, depreciation and amortisation		2,115	228	2,343	1,332
Depreciation and amortisation		(776)	(98)	(874)	(635)
Operating profit before exceptional items		1,339	130	1,469	697
Exceptional items		-	-	-	(205)
Operating profit	5	1,339	130	1,469	492
Interest payable and similar charges	4	(320)	(5)	(325)	(46)
Interest receivable and similar income		14	-	14	11
Profit on ordinary activities before taxation		1,033	125	1,158	457
Tax on profit on ordinary activities	6	-	39	39	-
Retained profit for the year	18,19	1,033	164	1,197	457

There are no recognised gains or losses or movements in shareholders' funds other than the results for the current and prior year and the issue of shares. As such, no statement of total recognised gains and losses is presented. Movements in shareholders' funds are shown in note 18.

BALANCE SHEETS

At 31 December 2010

	Note	Group 2010 £000	Group 2009 £000	Company 2010 £000
Fixed assets				
Goodwill	9	9,488	4,572	-
Tangible assets	10	1,942	878	-
Investments	11	-	-	6,946
		11,430	5,450	6,946
Current assets				
Stock		110	63	-
Debtors	12	4,277	3,881	3,530
Cash at bank and in hand	13	3,121	910	-
		7,508	4,854	3,530
Creditors: amounts falling due within one year	14	(6,268)	(3,380)	(300)
Net current assets		1,240	1,474	3,230
Total assets less current liabilities		12,670	6,924	10,176
Creditors: amounts falling due after more than one year	15	(4,156)	(289)	(3,230)
Provision for liabilities	16	(82)	-	-
Net assets		8,432	6,635	6,946
Capital and reserves				
Called up share capital	17	730	706	730
Merger reserve	19	6,216	5,640	6,216
Profit and loss account	19	1,486	289	-
Shareholders' funds	18	8,432	6,635	6,946

These Financial Statements were approved by the Board of Directors and authorised for issue on 11 April 2011

Signed on behalf of the Board of Directors

J V Radford
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 December 2010

	Note	2010 £000	2009 £000
Net cash inflow from operating activities	21	3,091	650
Returns on investments and servicing of finance			
Interest received		14	11
Interest paid		(320)	(28)
Interest element of finance lease rental payments		(5)	(18)
Net cash outflow from returns on investments and servicing of finance		(311)	(35)
Corporation tax			
Corporation tax paid		(43)	(33)
Capital expenditure			
Payments to acquire tangible fixed assets		(541)	(539)
Receipt from sale of tangible fixed assets		46	-
Net cash outflow from capital expenditure		(495)	(539)
Acquisitions and disposals			
Purchase of subsidiary undertakings		(3,002)	-
Overdraft acquired with subsidiary undertakings		(43)	-
Deferred consideration for purchase of subsidiary undertaking in prior year		-	(1)
Net cash outflow from acquisitions and disposals		(3,045)	(1)
Net cash (outflow)/inflow before financing		(803)	42
Financing			
Issue of shares		-	120
Issue of loan notes		3,000	280
Repayment of loan notes		(50)	-
Capital element of finance lease rentals		(106)	(197)
Net cash inflow from financing		2,844	203
Increase in cash	22,23	2,041	245

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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 Company obtained its 100% interest in its subsidiary undertakings by way of a share for share exchange which satisfies the criteria of FRS 6, to be accounted for as a group reconstruction.

Accordingly, in the consolidated accounts, this business combination has been accounted for using the principles of merger accounting. Using merger accounting for group reconstructions, the accounts of the Group are presented as if the new legal structure of the Group after the share for share exchange had been in place throughout the year and the previous year and also at the time of previous acquisitions in respect of those companies acquired.

Full details of the share for share exchange are provided in the Directors' report.

Economic conditions in 2011 will remain challenging as the austerity measures filter through into people's pay packets, however the Board sees no reason why the Group cannot meet these challenges in a robust manner. Current trading shows the Group performing broadly in line with management expectations and the Board is hopeful for a year of further progress. 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.

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 is recognised on supply of services. 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

1. ACCOUNTING POLICIES (Continued)

Goodwill

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, Twang.net Limited, Newnet plc and Handheld PC's Limited.

Tangible fixed assets

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

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%
Network equipment	25% or between 6.67% and 20% reducing balance

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.

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.

Share-based payments

The Group 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 unvested as of 1 January 2006.

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.

Research and development

Research and development expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way, unless the Directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the Company is expected to benefit, anticipated to be 10 years.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2010 £000	2009 £000
Directors' emoluments		
Directors' remuneration	554	518
Contribution to pension schemes	35	34
	589	552

Pension contributions were made on behalf of five (2009: six) Directors to a defined contribution pension scheme.

	2010 Group Number	2009 Group Number	2010 Company Number
Average number of persons employed including Directors			
Sales and service	106	100	-
Administration	45	33	-
	151	133	-
	£000	**£000**	**£000**
Staff costs during the year including Directors			
Wages and salaries	4,917	4,139	-
Social security costs	506	438	-
Pension costs	84	80	-
	5,507	4,657	-

Directors	2010 £000	2009 £000
Highest paid director		
Salary	151	127
Pension contribution	12	12
	163	139

Directors' transactions are disclosed in note 24.

3. PENSIONS

The pension charge for the year was £84,000 (2009: £80,000). At the year end, contributions of £16,000 were outstanding (2009: £12,000).

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2010 £000	2009 £000
Hire purchase contracts	5	18
Bank	2	1
Other	318	27
	325	46

5. OPERATING PROFIT

	2010 £000	2009 £000
Operating profit is after charging:		
Depreciation and amortisation		
Owned assets	377	247
Assets held under hire purchase agreement	75	95
Goodwill amortisation	422	293
Loss on disposal of fixed assets	9	-
Rentals under operating leases		
Land and buildings	251	261
Other	7	8
Exceptional items	-	205

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

5. OPERATING PROFIT (Continued)

The analysis of auditor's' remuneration is as follows:

	2010 £000	2009 £000
Fees payable to the Company's auditor for the audit of the Company's Financial Statements	2	-
Fees payable to the Company's auditor and their associates for other services to the Group:		
The audit of the Company's subsidiaries pursuant to legislation	30	20
Total audit fees	32	20
Other services pursuant to legislation: tax services	10	8
Total non-audit fees	10	8

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2010 £000	2009 £000
Current tax		
UK corporation tax	27	-
Adjustment in respect of prior period	2	-
	29	-
Deferred tax		
Origination and reversal of timing differences	(68)	-
Adjustment in respect of prior period	5	-
Effect of change in tax rate	(2)	-
Tax charge for the year	(3)	-
	(68)	-
Current tax credit for the year	(39)	-

The standard UK corporation tax rate is 28%. On 23 March 2011, the Government announced that the main rate of corporation tax would reduce to 26% with effect from 1 April 2011, with subsequent 1% reductions per annum to reach 23% with effect from 1 April 2014. These tax rates reductions had not been substantively enacted at the balance sheet date and therefore have not been reflected in the Financial Statements. If all of these tax rate reductions had been enacted in the period to 31 December 2010, the deferred tax asset/liability would have been reduced by £2K.

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (Continued)

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

Profit on ordinary activities	1,158	457
Tax at standard rate	324	128
Factors affecting charge:		
Capital allowances in excess of depreciation	38	5
Expenses not deductible for tax purposes	186	-
Effect of change in tax rate	2	-
Brought forward losses utilised	(521)	(133)
Current tax charge for the year	29	-

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 profit after tax for the financial year amounted to £nil.

As per the narrative in note 1, there is no comparative for the parent company only balance sheet due to this being the first year of incorporation.

8. SHARE BASED PAYMENTS

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

	Number of share options 2010 Number	Weighted average exercise price 2010 £000	Number of share options 2009 Number	Weighted average exercise price 2009 £000
Outstanding at beginning of year	385,000	385	505,000	505
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(120,000)	(120)
Outstanding at the end of the year	385,000	385	385,000	385
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.

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

9. GOODWILL

	Group £000
Cost	
At 1 January 2010	5,361
Additions	5,338
At 31 December 2010	10,699
Amortisation	
At 1 January 2010	789
Charge for the year	422
At 31 December 2010	1,211
Net book value	
At 31 December 2010	9,488
At 31 December 2009	4,572

The Company held no goodwill during the period.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

10. TANGIBLE FIXED ASSETS

Group	Freehold property	Computer and office equipment	Motor vehicles	Total
	£000	£000	£000	£000
Cost				
At 1 January 2010	305	1,794	13	2,112
Additions	27	774	32	833
Acquisition of subsidiary undertakings	-	738	-	738
Disposals	-	(50)	(16)	(66)
At 31 December 2010	332	3,256	29	3,617
Accumulated depreciation				
At 1 January 2010	-	1,229	5	1,234
Charge for the year	-	445	7	452
Disposals	-	(10)	(1)	(11)
At 31 December 2010	-	1,664	11	1,675
Net book value				
At 31 December 2010	332	1,592	18	1,942
At 31 December 2009	305	565	8	878

Assets under HP included above:

Net book value	
At 31 December 2010	334
At 31 December 2009	73

The Company held no fixed assets during the period.

NOTES TO THE ACCOUNTS

Year ended 31 December 2010

11. INVESTMENTS

	Group 2010 £000	Group 2009 £000	Company 2010 £000
Cost at 1 January 2010	-	-	-
Additions	-	-	6,946
Cost and net book value at 31 December 2010	-	-	6,946

The additions in 2010 relate to the share for share exchange in Timico Limited as described in the Directors' report.

The Company's subsidiaries were as follows:	Percentage of issued share capital held		Principal activity
	31 December 2010 %	31 December 2009 %	
Timico Limited and its subsidiaries:	100	100	Telecommunications
Atlas Advanced Internet Solutions Limited and its subsidiary	100	100	Dormant
Wireless Broadband Services Limited	100	100	Dormant
Ke-Connect Group Limited and its subsidiaries	100	100	Dormant
Ke-Connect Systems Limited	100	100	Dormant
Ke-Connect Internet Limited	100	100	Dormant
Ke-Connect Maintenance Limited	100	100	Dormant
Twang.net Limited	100	100	Dormant
NewNet plc	100	-	Internet service provider
NewNet Broadband Limited	100	-	Dormant
Handheld PC's Limited	100	-	Computing software and services
Hand-e-pix Limited	100	-	Dormant

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 2010 £000	Group 2009 £000	Company 2010 £000
Trade debtors	1,050	796	-
Amounts due from subsidiary undertakings	-	-	3,530
Other debtors	1,524	1,703	-
Corporation tax	64	35	-
Prepayments and accrued income	1,639	1,347	-
	4,277	3,881	3,530

Included within other debtors are subscriber acquisition costs falling due within one year of £1,078,000 (2009: £1,239,000) and falling due after more than one year of £274,000 (2009: £409,000). All other amounts fall due within one year.

13. CASH AT BANK AND IN HAND

Included in cash at bank and in hand is £400,000 which is restricted cash (2009: £100,000).

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2010 £000	Group 2009 £000	Company 2010 £000
Bank loans and overdrafts	17	-	-
Obligations under hire purchase contracts (note 15a)	89	54	-
Trade creditors	1,934	1,231	-
Other taxes and social security	512	405	-
Other creditors	460	306	300
Accruals and deferred income	2,589	1,342	-
Corporation tax	69	42	-
Loan notes (note 15b)	600	-	-
	6,268	3,380	300

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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

	Group 2010 £000	Group 2009 £000	Company 2010 £000
Bank loans and overdrafts	153	-	-
Obligations under hire purchase contracts (note 15a)	143	9	-
Other creditors	80	-	-
Loan notes (note 15b)	3,780	280	3,230
	4,156	289	3,230

(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 Group has issued the following loan notes.

£280,000 10% unsecured loan notes 2012 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 are 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. £50,000 were redeemed during the year.

£3,000,000 10% unsecured loan notes 2013 were issued on 29 January 2010 at an issue price of £1.00 per note. 100% 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 are convertible at 1 share per £2.50 loan note. If the loan notes have not been converted, they will be redeemed on 29 January 2013 at par. Interest of 10% per annum will have been paid up until that settlement date.

£600,000 0% unsecured loan notes 2011 were issued on 29 January 2010 at an issue price of £1.00 per note. They were redeemed on 29 January 2011 at par.

£550,000 5% unsecured loan notes 2013 were issued on 29 January 2010 at an issued price of £1.00 per note. They will be redeemed on 29 January 2013 at par. Interest of 5% per annum will have been paid up until that settlement date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

16. DEFERRED TAX

	Provided £000
Balance at 1 January 2010	-
Acquired with acquisition	147
Adjustment in respect of prior period	5
Effect of change in tax rate	(2)
Origination and reversal of timing differences	(68)
Balance at 31 December 2010	82

	Not provided 2010 £000	Not provided 2009 £000
Accelerated capital allowances	5	41
Losses	360	840
Short-term timing differences	25	-
Streamed losses	-	19
Total deferred tax asset	390	900

The charge for the period is make up of origination and reversal of timing differences and the effect of changes in tax rates.

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

	2010 £000
Called up, allotted and fully paid	
7,299,000 ordinary shares of 10p each	730

On 10 December 2010, the Company issued 7,299,000 ordinary shares of 10 pence each to the shareholders of Timico Limited. The consideration for this issue was the transfer, from the shareholders of Timico Limited to the Company, of the entire issued share capital of Timico Limited.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group 2010 £000	Group 2009 £000	Company 2010 £000
Profit for the financial year	1,197	457	-
Net proceeds from the issue of shares	600	120	-
Net increase in shareholders' funds	1,797	577	-
Opening shareholders' funds	6,635	6,058	6,946
Closing shareholders' funds	8,432	6,635	6,946

19. STATEMENT OF MOVEMENT ON RESERVES

Group	Share capital £000	Merger reserve £000	Profit and loss account £000	Total £000
At 1 January 2010	706	5,640	289	6,635
Profit for the year	-	-	1,197	1,197
Issue of shares	24	576	-	600
At 31 December 2010	730	6,216	1,486	8,432

Company	Share capital £000	Merger reserve £000	Profit and loss account £000	Total £000
On incorporation	730	6,216	-	6,946
Profit for the year	-	-	-	-
At 31 December 2010	730	6,216	-	6,946

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

20. OPERATING LEASE COMMITMENTS

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

	Group Land and buildings 2010 £000	Group Land and buildings 2009 £000
Leases which expire:		
Within one year	-	4
After five years	235	160
	235	164

	Group Other 2010 £000	Group Other 2009 £000
Leases which expire:		
Within one year	-	1
Within two to five years	10	-
	10	1

The Company has no operating lease commitments.

21. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2010 £000	2009 £000
Operating profit	1,469	492
Goodwill amortisation	422	293
Depreciation of tangible fixed assets	452	342
Loss on disposal of fixed assets	(31)	-
Increase in stock	(46)	(2)
Decrease in debtors	385	582
Increase/(decrease) in creditors	440	(1,057)
Net cash inflow from operating activities	3,091	650

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

22. ANALYSIS OF NET FUNDS

	At 1 January 2010 £000	Cash flow £000	Other non-cash changes £000	At 31 December 2010 £000
Cash at bank and in hand	910	2,211	-	3,121
Bank loans and overdrafts	-	(170)	-	(170)
Hire purchase	(63)	106	(275)	(232)
	847	2,147	(275)	2,719

Non-cash movements relate to the capital value of new finance leases taken out during the year or finance leases acquired with subsidiaries.

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

	2010 £000	2009 £000
Increase in cash in the year	2,041	245
Cash inflow from decrease in finance leases	106	197
Change in net funds resulting from cash flows	2,147	442
New finance leases	(252)	-
Finance leases acquired with purchase of subsidiary undertaking	(23)	-
	1,872	442
Net funds at start of year	847	405
Net funds at end of year	2,719	847

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

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 2010, £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. PURCHASE OF SUBSIDIARY UNDERTAKINGS

On 29 January 2010, the Group acquired 100% of the issued share capital of NewNet plc for a cash consideration of £2,350,000, costs of £182,000, deferred consideration of £600,000 2011 loan notes and deferred consideration of £633,000 2013 loan notes. The goodwill calculation is summarised below.

	Book value	Fair value adjustments	Book and provisional fair value
	£000	£000	£000
Fixed assets			
Intangible assets	10	(10)	-
Tangible assets	775	(39)	736
	785	(49)	736
Current assets			
Debtors	749	-	749
Cash	80	-	80
	829	-	829
Current liabilities			
Creditors	(1,517)	(13)	(1,530)
Obligations under hire purchase contracts	(23)	-	(23)
Taxation and social security	(35)	-	(35)
Corporation tax	(20)	(10)	(30)
	(1,595)	(23)	(1,618)
Provision for deferred tax	(62)	(8)	(70)
Net liabilities	(43)	(80)	(123)
Goodwill capitalised			3,888
Consideration			3,765
Satisfied by:			
Cash consideration			2,350
Deferred consideration			1,233
Cash paid for acquisition expenses			182
			3,765

26. PURCHASE OF SUBSIDIARY UNDERTAKINGS (Continued)

The consideration payable by the Group for the acquisition of such shares was satisfied by the payment of £3,765,000.

As per the requirements of FRS 6 'Acquisitions and mergers' the above company was a substantial acquisition. The required disclosures are shown below:

	Period 1 April 2009 to 28 January 2010
	£000
Turnover	4,236
Operating profit	98
Profit before taxation	96
Profit after taxation	87

The profit after taxation for the year ended 31 March 2009 was £231,000.

In the year ended 31 March 2009, there was a prior year adjustment of £105,000 resulting in total gains and losses recognised since the last annual report of £126,000.

There were no other gains or losses in the period from 1 April 2009 to 28 January 2010.

26. PURCHASE OF SUBSIDIARY UNDERTAKINGS (Continued)

On 4 October 2010, the Group acquired 100% of the issued share capital of Handheld PC's Limited for a cash consideration of £400,000, costs of £70,000 and issue of shares of £600,000. The goodwill calculation is summarised below.

	Book value	Fair value adjustments	Book and provisional fair value
	£000	£000	£000
Fixed assets			
Intangible assets	433	(430)	3
Tangible assets	2	-	2
	435	(430)	5
Current assets			
Stock	1	-	1
Debtors	19	(4)	15
Corporation tax	3	-	3
	23	(4)	19
Current liabilities			
Bank loans and overdrafts	(123)	-	(123)
Creditors	(187)	(1)	(188)
Taxation and social security	(16)	-	(16)
	(326)	(1)	(327)
Provision for deferred tax	(77)	-	(77)
Net assets/(liabilities)	55	(435)	(380)
Goodwill capitalised			1,450
Consideration			1,070
Satisfied by:			
Cash consideration			400
Issue of shares			600
Cash paid for acquisition expenses			70
			1,070

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2010

26. PURCHASE OF SUBSIDIARY UNDERTAKINGS (Continued)

The consideration payable by the Group for the acquisition of such shares was satisfied by the payment of £1,070,000.

As per the requirements of FRS 6 'Acquisitions and mergers' the above company was a substantial acquisition. The required disclosures are shown below:

	Period 1 April 2010 to 30 September 2010
	£000
Turnover	141
Operating loss	(13)
Loss before taxation	(19)
Profit after taxation	(19)

The profit after taxation for the year ended 31 March 2010 was £126,000.

There were no other gains or losses in the year ended 31 March 2010 or in the period from 1 April 2009 to 28 January 2010.