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Company Registration No. 05411521 (England and Wales)

MAGDALENE HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017

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MAGDALENE HOLDINGS LIMITED

COMPANY INFORMATION

Directors	R E Cooper A P Crane D L Hopkins M A Turner
Secretary	S Lluch
Company number	05411521
Registered office	Magdalene House Compass Point Business Park Stocks Bridge Way St Ives Cambridgeshire PE27 5JL
Auditor	RSM UK Audit LLP Chartered Accountants 2 Whitehall Quay Leeds LS1 4HG

MAGDALENE HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present the strategic report for the year ended 31 March 2017.

Fair review of the business

The Group's statement of financial position as detailed on page 6 shows a satisfactory position with shareholders' funds amounting to £2,849,589 compared to £2,619,931 in the previous year. This reporting period has been a time of transformation for Magdalene after last year's stabilisation following several successive years of growth across all business segments: public and private networks; and fixed and mobile technology. Despite turnover reducing from £28,182,642 to £22,309,286, the business has generated a profit of £649,598 compared to last year's loss of £52,453.

The appetite for data is the fundamental driver behind the growth in demand for telecommunication services across all segments of the industry, which requires operators to compete in terms of capacity and coverage resulting in massive long term investment programmes. This is compounded by the consolidation of network operators and technology evolution which drive re-investment capital programmes by the operators. Operators are also increasingly keen to access certain services from the prime service provider, a development which dramatically increases Magdalene's addressable market, especially for managed services. These market trends all play an important role in Magdalene's long-term growth strategy.

Principal risks and uncertainties

The Group's exposure to the market risk for changes in interest rates relates only to the Group's bank loan and overdraft. During the year, Magdalene has repaid £90k of capital on loans, moving its net debt position to £357k. The Group's gearing ratio reduced from 28% to 27%. This position ensures interest rate risk remains low and underlines the overall financial strength of the company.

Most of Magdalene's customers are blue chip companies with strong credit ratings and the directors consider that credit risk is minimal. The company does carry out credit reviews for new customers and sets credit terms to ensure the credit risk for each new customer is appropriately managed.

Magdalene is continually assessing the most cost-effective methods of delivering services in order to counter any potential price pressure in the industry. In addition, the company continues to diversify its business both in terms of its customer base and the mix of revenues across all business segments.

The Group continues to manage market risk by structuring its business across both the shorter term network deployment business and the longer term maintenance activities. Key customers are entering into longer-term and more diverse contracts with Magdalene, which reflects the strategic nature of these relationships. The Board invests significant levels of time in maintaining and building these relationships. Regular discussion is held at senior management and Board level about the risks that may be present in each of these relationships.

Development and performance

During the year, Magdalene completed the exit from several projects which had not performed well in previous years. This decision had a short-term impact on the company's financial performance in the last financial year and in the first half of this financial year. However, the successful completion of this exit has resulted in a significantly improved financial performance in the second half of the financial year. This demonstrates the strength and resilience of Magdalene's core business.

Magdalene is continuing with its balanced growth strategy, ensuring that resilience is maintained and targeting growth across its selected sectors as well as through all phases of the network lifecycle. The Board expects future years to follow the historical trend with continued increases in revenues and profits, and is exploring all options for fully capturing the business opportunities.

Key performance indicators

The operational performance of the year is illustrated through the financial key performance indicators. Revenue reduced by 21% from £28,182,642 to £22,309,286; however net profit before tax increased from £4,465 to £789,716. Gross margin performance increased from 12% to 15%. The long term debt position moved from £875,584 to £778,098 and the headcount decreased from 200 to 178. Net current assets have remained relatively stable, moving from £1,630,813 to £1,613,988.

By order of the board

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S Lluch

Secretary 24/8/17

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MAGDALENE HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2017

The directors present their annual report and consolidated financial statements for the year ended 31 March 2017.

Principal activities
The principal activity of the company during the year was that of a holding company. The principal activity of the company's subsidiary during the year was that of telecommunications services and consultancy.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

R E Cooper
A P Crane
D L Hopkins
M A Turner

Results and dividends
The profit for the year, after taxation, amounted to £649,598.

Particulars of dividends paid are detailed in note 11 to the financial statements. The directors do not recommend payment of a final dividend.

No preference dividends were paid. The directors do not recommend payment of a final/preference dividend.

Auditor
The auditor, RSM UK Audit LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as the directors are aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

By order of the board

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S Lluch
Secretary 24/8/17
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MAGDALENE HOLDINGS LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2017

The directors are responsible for preparing the Strategic Report and 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 group and company, and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 MAGDALENE HOLDINGS LIMITED

Opinion on financial statements

We have audited the group and parent company financial statements (the "financial statements") on pages 6 to 30. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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 March 2017 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.

Scope of the audit of the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and, based on the work undertaken in the course of our audit, the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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 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.

Respective responsibilities of directors and auditor

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

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.

RSM UK Audit LLP

Andrew Allchin (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG
30 - 08 - 2017

MAGDALENE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	3	22,309,286	28,182,642
Cost of sales		(18,860,123)	(24,795,029)
Gross profit		3,449,163	3,387,613
Administrative expenses		(2,596,407)	(3,265,657)
Operating profit	5	852,756	121,956
Interest receivable and similar income	8	1,227	994
Interest payable and similar expenses	9	(64,267)	(118,485)
Profit before taxation		789,716	4,465
Taxation	10	(140,118)	(56,918)
Profit/(loss) for the financial year	26	649,598	(52,453)
Retained earnings brought forward		1,237,636	1,587,717
Dividends		(419,940)	(297,628)
Retained earnings carried forward		1,467,294	1,237,636

Profit/(loss) for the financial year is all attributable to the owners of the parent company.

Company Registration No. 05411521

MAGDALENE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Goodwill	12		-		-
Intangible assets	12		275,470		98,543
Tangible assets	13		1,888,331		1,963,211
			2,163,801		2,061,754
Current assets					
Stocks	16	309,108		754,701	
Debtors	17	6,671,530		6,445,909	
Cash at bank and in hand		517,081		635,663	
		7,497,719		7,836,273	
Creditors: amounts falling due within one year	18	(5,883,730)		(6,205,460)	
Net current assets			1,613,989		1,630,813
Total assets less current liabilities			3,777,790		3,692,567
Creditors: amounts falling due after more than one year	19		(890,098)		(875,584)
Provisions for liabilities	21		(38,103)		(197,052)
Net assets			2,849,589		2,619,931
Capital and reserves					
Called up share capital	25		9,823		9,823
Share premium account	26		1,370,266		1,370,266
Capital redemption reserve	26		2,206		2,206
Profit and loss reserves	26		1,467,294		1,237,636
Total equity			2,849,589		2,619,931

The financial statements were approved by the board of directors and authorised for issue on 24/8/17 and are signed on its behalf by:

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A P Crane
Director

Company Registration No. 05411521

MAGDALENE HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Tangible assets	13		-		-
Investments	14		6,411,571		6,411,571
Current assets					
Debtors	17	34,400		65,888	
Cash at bank and in hand		230,601		18	
		265,001		65,906	
Creditors: amounts falling due within one year	18	(245,226)		(830,190)	
Net current assets/(liabilities)			19,775		(764,284)
Total assets less current liabilities			6,431,346		5,647,287
Creditors: amounts falling due after more than one year	19		(112,000)		-
Net assets			6,319,346		5,647,287
Capital and reserves					
Called up share capital	25		9,823		9,823
Share premium account	26		1,370,266		1,370,266
Capital redemption reserve	26		2,206		2,206
Profit and loss reserves	26		4,937,051		4,264,992
Total equity			6,319,346		5,647,287

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,091,999 (2016 - £172,137 loss).

The financial statements were approved by the board of directors and authorised for issue on 24/8/17 and are signed on its behalf by:

A P Crane
Director

MAGDALENE HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	2017 £	2016 £	2016 £
Cash flows from operating activities					
Cash generated from operations	27		529,414		171,054
Interest paid			(64,267)		(118,485)
Income taxes refunded/(paid)			181,615		(742,922)
Net cash inflow/(outflow) from operating activities			646,762		(690,353)
Investing activities					
Purchase of intangible assets		(176,927)		(98,543)	
Purchase of tangible fixed assets		(76,051)		(87,770)	
Interest received		1,227		994	
Net cash used in investing activities			(251,751)		(185,319)
Financing activities					
Repayment of bank loans		(93,653)		(90,145)	
Payment of finance leases obligations		-		(11,145)	
Dividends paid to equity shareholders		(419,940)		(297,628)	
Net cash used in financing activities			(513,593)		(398,918)
Net decrease in cash and cash equivalents			(118,582)		(1,274,590)
Cash and cash equivalents at beginning of year			635,663		1,910,253
Cash and cash equivalents at end of year			517,081		635,663

1 Accounting policies

Company information

Magdalene Holdings Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office is Magdalene House, Compass Point Business Park, Stocks Bridge Way, St Ives, Cambridgeshire, PE27 5JL.

The group consists of Magdalene Holdings Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisons of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £1,091,999 (2016 - £172,137 loss).

Reduced disclosures

The company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

Basis of consolidation

The consolidated financial statements incorporate those of Magdalene Holdings Limited and all of its subsidiaries. All financial statements are made up to 31 March 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

1 **Accounting policies (Continued)**

Going concern
Trading forecasts have been prepared which show a positive development on key financials. Funding facilities in place exceed the forecast cash requirements. This, combined with the ongoing long term contracts with customers and suppliers across different geographic areas and industries, confirms to the directors that it is appropriate to prepare the financial statements on a going concern basis.

There are no material uncertainties relating to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Turnover
Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. In the case of long term contracts credit is taken appropriate to the stage of completion when the outcome of the contract can be ascertained with reasonable certainty.

Intangible fixed assets - goodwill and negative goodwill
Goodwill represents the difference between the fair value of the consideration paid on acquisition and the fair value of its separable net assets at the date of acquisition. Goodwill is amortised over its expected useful life of ten years.

Negative goodwill in excess of the values of non-monetary assets will be written back in the profit and loss account over the period expected to benefit from that negative goodwill. The expected period of benefit for the negative goodwill shown in the balance sheet is 4 years.

Intangible fixed assets other than goodwill
Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets comprise computer software used in the running of the business. Such assets are defined as having finite useful lives and the costs are amortised on a straight line basis over their estimated useful life of 3 years. Intangible assets are stated at cost less amortisation and are reviewed for impairment whenever there is an indication that the carrying value may be impaired. No amortisation has been charged in the current period on those assets developed internally as they were not deemed to be in use at 31 March 2017.

Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives on the following bases:

Long leasehold buildings	2% on a straight line basis
Plant and machinery	33% on a straight line basis
Fixtures, fittings and equipment	10% to 33% on a straight line basis

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Leasehold land will be depreciated over the last 50 years of the lease.

1 **Accounting policies (Continued)**

Fixed asset investments

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

Impairment of fixed assets

At each reporting end date, the group and company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

Cost of stocks is determined using a first in, first out basis.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

1 **Accounting policies (Continued)**

Other financial assets
Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

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

Basic financial liabilities
Basic financial liabilities, including trade and other payables, bank loans and loans from fellow group companies, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

Taxation
The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

1 **Accounting policies (Continued)**

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the reporting 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 reporting 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.

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

Provisions
Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits
For defined contribution schemes the amount charged to profit or loss 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.

Leases
Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1 Accounting policies (Continued)

Foreign exchange
Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date or the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Equity instruments
Equity instruments issued by the group and company are recorded at the fair value of the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

2 Judgements and key sources of estimation uncertainty

In the application of the group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements
The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Provisions
Provisions mainly comprise amounts related to contractual obligations on customer and supplier contracts as well as other costs. Whether a present obligation is probable or not requires judgement. The nature and type of risks for these provisions differ and management's judgement is applied regarding the nature and extent of obligations in deciding if an outflow of resources is probable or not.

Key sources of estimation uncertainty
The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Revenue recognition
As parts of the group's sales are generated from large and complex customer contracts, estimates are necessary in evaluation of contractual performance. Managerial judgement is applied regarding, among other aspects, conformance with acceptance criteria and if transfer of risks and rewards to the buyer has taken place to determine if revenue should be recognised in the current period.

3 Turnover

An analysis of the group's turnover is as follows:

	2017	2016
	£	£
Turnover analysed by class of business		
Telecommunications and consultancy	22,309,286	28,182,642

Turnover analysed by geographical market

	2017	2016
	£	£
United Kingdom	21,619,648	27,402,928
Rest of Europe	669,656	742,875
Other	19,982	36,839
	22,309,286	28,182,642

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group		Company	
	2017	2016	2017	2016
	Number	Number	Number	Number
Technical and consultancy	128	155	-	-
Management and administration	46	41	-	-
Directors	4	4	4	4
	178	200	4	4

Their aggregate remuneration comprised:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Wages and salaries	6,636,812	6,909,024	163,892	165,147
Social security costs	718,572	728,069	18,140	17,715
Pension costs	200,679	225,784	10,000	30,000
	7,556,063	7,862,877	192,032	212,862

5 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging:		
Exchange losses	23,507	52,313
Depreciation of owned tangible fixed assets	148,909	147,260
Loss on disposal of tangible fixed assets	2,022	-
Amortisation of intangible assets	-	165,831
Cost of stocks recognised as an expense	9,836,675	14,830,079
One-off contract losses	502,000	434,000
Operating lease charges	256,038	391,441

6 Auditor's remuneration

	2017	2016
Fees payable to the company's auditor and associates:	£	£
For audit services		
Audit of the financial statements of the group and company	9,000	9,000
Audit of the financial statements of the company's subsidiaries	12,000	12,000
	21,000	21,000
For other services		
Taxation compliance services	6,600	8,000
Other taxation services	3,876	8,159
All other non-audit services	6,000	6,000
	16,476	22,159

7 Directors' remuneration

	2017	2016
	£	£
Remuneration for qualifying services	172,975	174,839
Company pension contributions to defined contribution schemes	10,000	30,000
	182,975	204,839

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2016 - 1).

Remuneration disclosed above includes the following amounts paid to the highest paid director:

Remuneration for qualifying services	132,381	134,353

8 Interest receivable and similar income

	2017	2016
	£	£
Interest income		
Interest on bank deposits	995	994
Other interest income	232	-
Total income	1,227	994

9 Interest payable and similar expenses

	2017	2016
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	60,151	118,485
Other finance costs:		
Other interest	4,116	-
Total finance costs	64,267	118,485

10 Taxation

	2017	2016
	£	£
Current tax		
UK corporation tax on profits for the current period	116,146	18,385
Deferred tax		
Origination and reversal of timing differences	24,702	37,631
Changes in tax rates	(730)	902
Total deferred tax	23,972	38,533
Total tax charge	140,118	56,918

10 Taxation (Continued)

The total tax charge for the year included in the income statement can be reconciled to the profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
Profit before taxation	789,716	4,465
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2016: 20.00%)	157,943	893
Tax effect of expenses that are not deductible in determining taxable profit	8,235	57,594
Effect of change in corporation tax rate	(5,155)	(1,569)
Research and development tax credit	(20,905)	-
Taxation charge for the year	140,118	56,918

11 Dividends

	2017 £	2016 £
Final paid	419,940	297,628

Dividends paid amount to £100.82 (2016 - £61.71) per Ordinary A share, £58.67 (2016 - £51.33) per Ordinary B share and £nil (2016 - £nil) per Ordinary C share.

Dividends totalling £103,000 are due to be paid post year end as follows: Ordinary A shares of £103,000, and Ordinary B shares of £nil.

12 Intangible fixed assets

Group	Goodwill	Negative goodwill	Software	Patents and licences	Total
	£	£	£	£	£
Cost					
At 1 April 2016	4,669,082	(219,832)	98,543	-	4,547,793
Additions - internally developed	-	-	77,126	-	77,126
Additions - acquired	-	-	81,230	18,571	99,801
At 31 March 2017	4,669,082	(219,832)	256,899	18,571	4,724,720
Amortisation and impairment					
At 1 April 2016 and 31 March 2017	4,669,082	(219,832)	-	-	4,449,250
Carrying amount					
At 31 March 2017	-	-	256,899	18,571	275,470
At 31 March 2016	-	-	98,543	-	98,543

The company had no intangible fixed assets at 31 March 2017 or 31 March 2016.

No amortisation has been charged in respect of software as the asset was not deemed to be in use at the year end.

13 Tangible fixed assets

Group	Long leasehold buildings	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£	£
Cost				
At 1 April 2016	2,212,535	71,545	1,956,294	4,240,374
Additions	-	-	76,051	76,051
Disposals	-	(71,545)	(583,806)	(655,351)
At 31 March 2017	2,212,535	-	1,448,539	3,661,074
Depreciation and impairment				
At 1 April 2016	471,883	71,545	1,733,735	2,277,163
Depreciation charged in the year	35,867	-	113,042	148,909
Eliminated in respect of disposals	-	(71,545)	(581,784)	(653,329)
At 31 March 2017	507,750	-	1,264,993	1,772,743
Carrying amount				
At 31 March 2017	1,704,785	-	183,546	1,888,331
At 31 March 2016	1,740,652	-	222,559	1,963,211

Hire purchase agreements
Included within the net book value of £1,888,331 is £nil (2016 - £nil) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £nil (2016 - £4,462).

Company	Fixtures, fittings and equipment
	£
Cost	
At 1 April 2016	4,285
At 31 March 2017	4,285
Depreciation and impairment	
At 1 April 2016	4,285
At 31 March 2017	4,285
Carrying amount	
At 31 March 2017	-
At 31 March 2016	-

14 Fixed asset investments

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Investments in subsidiaries	15	-	-	6,411,571	6,411,571

Movements in fixed asset investments

Company	Shares £
Cost	
At 1 April 2016 & 31 March 2017	6,411,571
Carrying amount	
At 31 March 2017	6,411,571
At 31 March 2016	6,411,571

15 Subsidiaries

Details of the company's subsidiaries at 31 March 2017 are as follows:

Name of undertaking and country of incorporation or residency		Nature of business	Class of shareholding	% Held Direct	% Held Indirect
Magdalene Limited	England	Telecommunications and consultancy	Ordinary	100	0
Magdalene Telecom Limited	England	Dormant	Ordinary	0	100

Magdalene Telecom Limited is exempt from audit by virtue of s479A of the Companies Act 2006.

The company holds 1,000 Ordinary shares of £1 each in Magdalene Telecom Limited.

The registered office of both subsidiary companies is Magdalene House, Compass Point Business Park, Stocks Bridge Way, St Ives, Cambridgeshire, PE27 5JL.

16 Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Finished goods and goods for resale	309,108	754,701	-	-

17 Debtors

	Group		Company	
	2017	2016	2017	2016
Amounts falling due within one year:	£	£	£	£
Trade debtors	4,657,748	2,536,179	-	-
Corporation tax recoverable	-	181,615	-	-
Other debtors	34,734	38,632	34,150	33,957
Prepayments and accrued income	1,979,048	3,657,875	-	-
	6,671,530	6,414,301	34,150	33,957
Deferred tax asset (note 23)	-	-	250	323
	6,671,530	6,414,301	34,400	34,280
Amounts falling due after more than one year:				
Other debtors	-	31,608	-	31,608
Total debtors	6,671,530	6,445,909	34,400	65,888

18 Creditors: amounts falling due within one year

		Group		Company	
		2017	2016	2017	2016
	Notes	£	£	£	£
Bank loans	20	95,972	92,139	-	-
Trade creditors		3,094,833	3,419,592	1,253	105
Amounts due to group undertakings		-	-	8,567	813,527
Corporation tax		116,146	-	-	-
Other taxation and social security		721,819	587,898	9,026	8,498
Other creditors		74,914	85,782	-	-
Directors' loan accounts		103,000	-	103,000	-
Accruals and deferred income		1,677,046	2,020,049	123,380	8,060
		5,883,730	6,205,460	245,226	830,190

An amount of £556,162 shown as payments received on account in 2016 has been reclassified as accruals and deferred income.

19 Creditors: amounts falling due after more than one year

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	20	778,098	875,584	-	-
Accruals and deferred income		112,000	-	112,000	-
		890,098	875,584	112,000	-

20 Borrowings

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	874,070	967,723	-	-
Payable within one year	95,972	92,139	-	-
Payable after one year	778,098	875,584	-	-
Amounts included above which fall due after five years:				
Payable by instalments	378,632	488,847	-	-

The bank loan of £874,070 (2016 - £967,723) is secured by a debenture comprising fixed and floating charges over all assets including present and future freehold and leasehold property, a first legal mortgage over the leasehold property of Magdalene Limited and an unlimited company composite guarantee between group entities dated 6 April 2010.

The bank loan incurs and interest rate of 1.5% (2016 - 1.5%) over the Bank of England base rate. The bank loan is repayable over 20 years.

21 Provisions for liabilities

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Onerous contracts provision		-	74,421	-	-
Project rectification provision		-	108,500	-	-
		-	182,921	-	-
Deferred tax liabilities	23	38,103	14,131	-	-
		38,103	197,052	-	-

21 Provisions for liabilities (Continued)

Movements on provisions apart from deferred tax liabilities:

Group	Onerous contracts provision £	Project rectification provision £	Total £
At 1 April 2016	74,421	108,500	182,921
Utilisation of provision	(74,421)	(108,500)	(182,921)
At 31 March 2017	-	-	-

The onerous contract provision related to a building lease on a closing project which ran to 27 May 2017. No further costs are anticipated after 31 March 2017 as the lease has been disposed of prior to the reporting date. The onerous contract provision also included costs to complete field activities on a closing project. These costs were incurred during the year ended 31 March 2017 and no further costs are anticipated.

The project rectification provision was an estimation of the costs required to rectify field-work previously carried out on closing projects expected to be incurred over the period April to July 2016. All relevant projects had ceased at 31 March 2017.

22 Financial instruments

	Group		Company	
	2017 £	2016 £	2017 £	2016 £
Carrying amount of financial assets				
Debt instruments measured at amortised cost	4,692,257	2,606,181	33,925	65,326
Equity instruments measured at cost less impairment	-	-	6,411,571	6,411,571
Carrying amount of financial liabilities				
Measured at amortised cost	5,935,863	6,493,146	348,200	821,692

23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Fixed asset timing differences	38,080	14,126	-	-
Tax losses	23	5	-	-
	38,103	14,131	-	-

Company	Liabilities 2017 £	Liabilities 2016 £	Assets 2017 £	Assets 2016 £
Fixed asset timing differences	-	-	250	323

Movements in the year:	Group 2017 £	Company 2017 £
Liability/(asset) at 1 April 2016	14,131	(323)
Charge to profit or loss	24,702	55
Effect of change in tax rate - profit or loss	(730)	18
Liability/(asset) at 31 March 2017	38,103	(250)

The deferred tax asset set out above relates to fixed asset timing differences.

24 Retirement benefit schemes

Defined contribution schemes	2017 £	2016 £
Charge to profit or loss in respect of defined contribution schemes	200,679	225,784

A defined contribution pension scheme is operated for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

Other creditors include an amount of £nil (2016 - £30) in relation to amounts owed in respect of pension contributions.

25 Share capital

	Group and company	
	2017	2016
Ordinary share capital	£	£
Issued and fully paid		
2,633 Ordinary "A" shares of 10p each	263	263
2,633 Ordinary "B" shares of 10p each	263	263
4,734 Ordinary "C" shares of 10p each	474	474
	1,000	1,000
Preference share capital		
Issued and fully paid		
88,232 Preference shares of 10p each	8,823	8,823

The ordinary shares rank pari passu and carry equal voting, dividend and return of assets rights.

The holders of the preference shares each have the following rights which differ from the rights of the holders of the ordinary shares:

- no rights to dividends
- no voting rights
- priority over ordinary shareholders on a return of assets, liquidation or capital reduction.

26 Reserves

Share premium
Consideration received for shares issued above their nominal value net of transaction costs.

Capital redemption reserve
The nominal value of shares repurchased and still held at the end of the reporting period.

Profit and loss reserves
Cumulative profit and loss net of distributions to owners.

27 Cash generated from group operations

	2017 £	2016 £
Profit/(loss) for the year after tax	649,598	(52,453)
Adjustments for:		
Taxation charged	140,118	56,918
Finance costs	64,267	118,485
Investment income	(1,227)	(994)
Loss on disposal of tangible fixed assets	2,022	-
Amortisation and impairment of intangible assets	-	165,831
Depreciation and impairment of tangible fixed assets	148,909	147,260
(Decrease)/increase in provisions	(182,921)	182,921
Movements in working capital:		
Decrease/(increase) in stocks	445,593	(155,531)
(Increase)/decrease in debtors	(407,236)	3,018,192
(Decrease) in creditors	(329,709)	(3,309,575)
Cash generated from operations	529,414	171,054

28 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the group for certain items of equipment and motor vehicles. Leases are negotiated for an average term of 3 years.

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	304,653	273,028	-	-
Between two and five years	110,503	277,439	-	-
	415,156	550,467	-	-

29 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel of the group is as follows.

	2017	2016
	£	£
Aggregate compensation	329,245	294,506

During the year, Magdalene Limited paid rent of £73,125 (2016 - £69,600) to TCCH Property LLP, an entity controlled by D L Hopkins and M A Turner. A balance of £nil was outstanding at the year end (2016 - £17,400).

During the year, Magdalene Limited purchased goods amounting to £5,328 (2016 - £53,199) from Tycomm Limited, an entity for which M A Turner is a director. A balance of £nil was outstanding at the year end (2016 - £2,640).

Dividends of £419,940 (2016 - £297,638) were payable in the year, split £265,470 (2016 - £162,470) A P Crane, £154,470 (2016 - £135,158) M A Turner. At the year end, £103,000 was owed to directors in relation to dividends declared but not paid.

During the year, the group paid rent, insurance and service charges of £29,452 (2016 - £36,592) to Suffolk Life, a SIPP owned jointly by M A Turner, A P Crane, R E Cooper and two other individuals. A balance of £228 was outstanding at the year end (2016 - £456).

30 Events after the reporting date

On 27 April 2017 the group approved the grant of options to certain employees to acquire a new class of Ordinary shares of £0.10 per share, subject to the rules of the Magdalene Holdings Limited Enterprise Management Incentive Plan, which has been approved by HMRC. These share options represent approximately 30% of the issued share capital above a hurdle value.

The class of Ordinary shares (D Ordinary shares), have no rights to receive dividends and no voting rights, but have the right to participate in the event of an exit transaction within two years above a hurdle value.

At this stage it is not possible to estimate the financial effect on the group of the issued share options.