CapRock UK Limited

Report and Financial Statements
For the period ended 3 July 2015

Company Number SC145376

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Company Number	SC145376
Board of Directors	D Goody S Mikuen D R Redrup
Company Secretary	D Goody
Registered office	CapRock Building Denmore Road Bridge of Don Aberdeen AB23 8JW
Auditors	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE

The directors present their strategic report on the company for the period ended 3 July 2015.

Principal activities and review of the business

The principal activities in the period were as a supplier of managed satellite and terrestrial communications solutions, specifically for remote and harsh environments including the energy and maritime industries.

On 2 February 2016, Harris Corporation the Company's ultimate parent announced a non cash after tax charge of $328 million relating to the impairment of goodwill and other assets of its global Caprock business and reflecting the impact of the downturn in the energy market and its effect on customer operations.

Whilst the energy market has experienced a continuous decline in the price of crude oil since the latter half of 2014 the impact of that decline on the Group's services were first seen towards the end of 2015. Since that time the Group and the company have seen a rapid decline in bandwidth usage and significant downward pressure on contract prices.

As part of the above mentioned impairment exercise the Company has determined it necessary to write down goodwill, certain fixed assets and certain stock and trade receivable balances existing at the balance sheet date and totaling £105.0m. The Company's management believe that this level of impairment properly reflects the recoverability of those assets in light of current market conditions.

The company's parent has provided assurances that it will continue to make funds available to the company in order to ensure the company's continued operational existence. It is also considering in conjunction with the company's management alternative capitalization strategies designed to redress the resultant net liability position reflected in the company's Balance Sheet.

The CapRock group globally owns and operates a robust infrastructure that includes teleports on six continents, five network operations centers running 24 hours per day, seven days per week, local presence in 23 countries and over 275 global field service personnel. CapRock's solutions include broadband Internet access, VOIP technology, wideband networking and real-time video, delivered to customer sites around the world. Furthermore the CapRock group provides hardware and software products, systems and services that provide interoperable workflow solutions for broadcast, cable, satellite and out-of-home networks worldwide.

Key Performance Indicators (KPIs)

The company did not manage to maintain sales growth in 2015 and 2014 primarily in consequence of the impact of a decline in bandwidth usage and adverse pricing pressures due to the downturn in the energy market noted above.

The directors of the company monitor progress on the overall group strategy by reference to the following KPIs:

	2015	**2014**	**Definition, method of calculation and analysis**
Decline in sales	(9.4%)	(15.4%)	Year on year change in like for like sales, expressed as a percentage.
Operating margin	(7.7%)	(10.7%)	Ratio of operating loss excluding exceptional items expressed as a percentage of sales.

Principal risks and uncertainties

The company continued to experience challenging market conditions during the year breaking into new territories and maintaining high quality products and services to existing customers. These are not new risks, but are managed via excellent relationships between the company and its long-standing and loyal customer base which has evolved through high levels of customer care and a generous after-sales support service.

The participation in such markets is often subject to uncertain economic conditions, along with the risk of fluctuating exchange rates and diminished spending in the oil sector, which makes it difficult to estimate growth and, as a result, future income and expenditures. Our financial success depends on the ability to develop new products that achieve market acceptance. We cannot predict the consequences of future geo-political events, but they may adversely affect the markets in which we operate, our ability to insure against risks, our operations or our profitability.

Liquidity risk

The company retains sufficient cash resources to ensure it has funds available to meet its day-to-day requirements. The company has access to longer term funding from its ultimate parent if this is required.

Interest rate risk

The company has cash balances of £2.3m (2014: £15.1m) which earn interest at a variable rate. Due to the amounts involved the directors consider the interest rate risk in respect of these cash balances to be minimal.

The company has no third party loans; debts due to other group undertakings amounted to £109.7m (2014: £128.4m). Debts due from other group undertakings amounted to £39.7m (2014: £40.9m). Where relevant, these debts bear interest between 1.67% and 2.54% per annum.

The directors do not consider the company to have any exposure to the risk of fluctuating interest rates that would necessitate the hedging of interest rates.

Currency risk

A substantial proportion of the company's turnover is derived from overseas sales, and as such the company has currency exposures on transactions which arise from sales and purchases in currencies (primarily the US dollar) other than its functional currency as well as the currency risk associated with intra group loans. Potential exposures to foreign currency exchange rate movements are monitored through cash flow forecasts and monthly currency exposure reporting in all currencies in which the company trades. These are reviewed monthly by senior management and the Board and appropriate actions are taken to manage net open foreign currency positions.

Credit risk

There is a risk of financial loss to the company arising from the failure of the company's customers to meet their financial obligations for the services provided by the company.

The company manages this situation through credit control procedures, which are closely monitored by specialist staff and management, but nevertheless, we are subject to customer credit risk. The Board are of the view that the risk is at an acceptable level.

Going concern

The company's business activities, together with the factors likely to affect its future development, its financial position, financial risk management objectives, details of its financial instruments and its exposures to price, credit, liquidity and cash flow risk are described in the Principal activities and review of the business above.

The directors are of the opinion that the company is a going concern. The net current assets of the company amounted to £30.9m, at 3 July 2015 (net current assets £27.2m - 2014). Overall the company has net liabilities of £56.2m (£50.1m net assets - 2014). Available cash resources are detailed above.

The company's directors have obtained assurances from its ultimate parent that for a period of at least a year from the date of approval of these financial statements, it will continue to make available such funds as are needed by the company to allow it to continue in operational existence and to meet its liabilities as they fall due for payment.

The company's ultimate parent has further undertaken that it will act to ensure that repayment is not sought for at least a year from the date of signing of these financial statements of the amounts currently made available to the company by fellow group undertakings. Whilst the director's acknowledge that there can be no certainty that this support will continue beyond the commitment given, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on these undertakings the directors consider that it remains appropriate to prepare the financial statements on a going concern basis.

By order of the Board

D R Redrup
Director
Date: 3/6/16

The directors present their report and the audited financial statements for the period ended 3 July 2015.

Results and dividend

The results for the period are set out on page 13 of the financial statements.

The company's sales revenues decreased by 9% (2014 decrease of 15%) over the previous period and the company's operating loss increased to £108.4m compared to £25.3m in 2014 primarily as a consequence of the impairment charges detailed in Note 10 & 11.

The Directors recommend that no dividend be paid (2014:£nil)

Future developments

The company aims to continue to increase its share of the energy, drilling and subsea construction markets by targeting fleet contracts that are due for renewal. It is also striving for geographical expansion through an improved model of collaboration with third party partners in countries where the company does not have its own teleport facilities.

Directors of the Company

The directors who held office during the period and subsequent to the year-end were:

D Goody (appointed 11 June 2015)
S Mikuen
D R Redrup (appointed 31 October 2014)
E Correa (resigned 3 July 2015)

Directors' liability insurance

During the period, and up to the date of approval of the financial statements, the company had in place a third party indemnity provision for the benefit of all the directors of the company, subject to the conditions set out in Section 234 of the Companies Act 2006.

Political and charitable contributions

During the period, the company made no contributions to charitable organisations (2014: £nil).
The company did not make any contributions to any political organisation during the period (2014: £nil).

Disabled persons

The company gives full consideration to applications for employment from disabled persons where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Opportunities exist for employees of the company who become disabled to continue in their employment or to be trained for other positions within the company.

Health, environmental and safety

The company strives to provide and maintain a safe environment for all employees, customers and visitors to its premises and to comply with relevant health and safety legislation. In addition, the company aims to protect the health of employees with suitable, specific work-based strategies, seeking to minimise the risk of injury from company activity and ensure that systems are in place to address health and safety matters through the company's Health and Safety officer. Compliance with company policy is monitored centrally, and the company's ongoing health, environmental, and safety programmes have resulted in the reduction in the rates of work-related injuries and illnesses.

Health and Safety audits and risk assessments have been carried out and additional actions and controls have been implemented and training conducted to ensure that employees can carry out their functions in a safe and effective manner.

Employee involvement

The company is an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of race, colour, national or ethnic origins, sex, marital status, sexual preferences, disability, membership or non-membership of a trade union, "spent convictions" of ex-offenders, class, age, political or religious belief.

The company operates a framework for employee information and consultation which complies with the requirements of the Information and Consultation of Employees Regulations 2004. During the period, the policy of disseminating information via the Employee's Communications Group representatives has continued, thus providing a free flow of information and ideas, and keeps employees informed of the group's financial and operational matters that affect them. The company also has a recruitment programme that rewards employees for introductions of new hires.

The company has a strong ethos of career development and training. The company runs regular monthly training meetings, and runs an on-line training and learning facility covering a multitude of business related topics. Employees are encouraged to apply for positions within Harris Corporation both in the UK and overseas that offer promotion and career development.

Disclosure of Information of the Auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Re-appointment of the Auditors

In accordance with s.485 of the Companies Act 2006 a resolution is to be proposed at the Annual General Meeting for the re-appointment of Ernst & Young LLP as auditors of the company.

The report of the Directors' was approved by the Board and signed on its behalf by:

D R Redrup
Director
Date: 3/6/16

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

Company law requires the directors to prepare financial statement 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 judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statement comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Report on the financial statements

We have audited the financial statements of CapRock UK Limited for the period ended 3 July 2015, which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 25. 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).

The 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 10, 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 the law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standard for Auditors.

Scope of the audit of the financial statements

Our audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as of 3 July 2015 and of its loss for the period 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

David Brown (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

Date: 6-06-2016

CapRock UK Limited
Profit and loss account for the period ended 3 July 2015

	Note	Normal Operations	Exceptional Items	2015 £'000 Total	2014 £'000
Turnover	2	42,997	(52)	42,945	47,463
Cost of sales		(43,526)	(1,136)	(44,662)	(48,024)
Cost of sales - impairment charges	10, 11	-	(103,892)	(103,892)	(20,254)
Gross loss		(529)	(105,080)	(105,609)	(20,815)
Administrative expenses		(2,781)	-	(2,781)	(4,523)
Operating loss	3	(3,310)	(105,080)	(108,390)	(25,338)
Exceptional items	4			-	750
Interest receivable and similar income	7			6	5
Interest payable and similar charges	8			(2,483)	(2,437)
Loss on ordinary activities before taxation				(110,867)	(27,020)
Taxation on loss on ordinary activities .	9			-	121
Loss on ordinary activities after taxation	19,20			(110,867)	(26,899)

All amounts relate to continuing activities.

The notes on pages 16 to 36 form an integral part of these financial statements

CapRock UK Limited
Statement of total recognised gains and losses
for the period ended 3 July 2015

	Period ended 3 July 2015 £'000	Period ended 27 June 2014 £'000
(Loss) for the financial period	**(110,867)**	**(26,899)**
Stock option charge	(485)	(501)
Distribution	485	501
Total recognized (Losses) since last annual report	**(110,867)**	**(26,899)**

CapRock UK Limited
Balance sheet at 3 July 2015

Company number SC145376	Note	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Fixed assets					
Intangible assets	10		-		106,202
Tangible assets	11		5,074		12,788
Fixed asset investments	12		8		8
			5,082		118,998
Current assets					
Stock	13	4,037		3,186	
Debtors	14	51,602		53,831	
Cash at bank and in hand		2,342		15,128	
		57,981		72,145	
Creditors: amount falling due within one year	15	(27,118)		(44,937)	
Net current assets			30,863		27,208
Total assets less current liabilities			35,945		146,206
Creditors: amounts falling due after more than one year	16		(92,143)		(96,139)
Net (liabilities)/ assets			(56,198)		50,067
Capital and reserves					
Called up share capital	18		17,495		16,415
Share premium account	19		91,700		88,178
Profit and loss account	19		(165,393)		(54,526)
Shareholders' (deficit)/funds	20		(56,198)		50,067

These accounts were approved by the Board of Directors, authorised for issue and signed on its behalf by:

....

D R Redrup
Director
Date: 3/6/16

The notes on pages 16 to 36 form an integral part of these financial statements

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

Basis of preparation
The company prepares its financial statements to the closest Friday to 30 June each year. The financial statements are for the 53 week period ended 3 July 2015 (for the prior period, it is the 52 week period ended 27 June 2014).

Consolidated financial statements
The company has taken advantage of the exemption granted by the Accounting Standards Board UITF abstract 43, from the requirement to prepare consolidated financial statements contained within section 401 of the Companies Act 2006 on the grounds that the company is included in the publicly available consolidated financial statements of the ultimate parent company, Harris Corporation. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Cash flow statement
Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a statement of cash flows on the grounds that its parent undertaking includes the company in its own published consolidated financial statements.

Intangible Fixed assets (excluding goodwill)
Developed technologies and other intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and the fair value can be reliably measured. Intangible assets are initially measured at acquisition cost or production cost, including any directly attributable costs of preparing the asset for its intended use, or (in the case of assets acquired in a business combination) at fair value as at the date of the combination.

Intangible assets that are regarded as having limited useful economic lives are amortised on a straight-line basis over those lives and reviewed for a impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. Intangible assets that are regarded as having indefinite useful economic lives are not amortised. These assets are reviewed for impairment at least annually or when there is an indication that the assets may be impaired. To ensure that assets are not carried at above their recoverable amounts, the impairment reviews compare the net carrying value with the recoverable amount, where the recoverable amount is the value in use. Amortisation and any impairment write downs are charged to administrative expenses in the profit and loss account.

Goodwill

Goodwill arising on the acquisition of a subsidiary undertaking or the trade and assets of a business is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalized and amortised through the profit and loss account over the directors' estimate of its useful economic life of 20 years. Impairment test on the carrying value of goodwill are undertaking:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible Fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets other than land and assets under the course of construction at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Freehold land & buildings	- 45 years (improvements 15 years)
Leasehold property & improvements	- over the term of the lease
Rental equipment	- 5 years
Fixtures, fittings, tools & equipment	- 3-10 years

In accordance with FRS 11, tangible fixed assets are subject to review for impairment. Impairment is recognized when the carrying value of assets is higher than their recoverable amount (being the higher of their net realizable value and value in use). Any impairment is recognized in the profit and loss account as appropriate in the period in which it occurs.

Investments

The company performs impairment reviews in respect of investments whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the recoverable amount of an investment is less than its carrying amount.

Stocks

Stocks and work in progress are stated at the lower of cost and net realizable value. Net realizable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Turnover/revenue recognition

Turnover represents the value of goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes. The company provides its satellite communications services, which include the satellite equipment, pursuant to service contracts. The term of these contracts is generally one to five years, although they can run for a period of only a few months. Service contracts specify the location and type of services to be provided by the company, and the fixed monthly fee for such services. The company recognizes revenue from service contracts as the services are provided.

Revenue from product sales is recognised when title passes to the customer, which is generally when the product is shipped.

Foreign currency transactions

Foreign currency transactions are accounted for at the rates of exchange prevailing at the dates of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation, at the year-end rates, of monetary assets and liabilities denominated in foreign currencies, are recognised in the profit or loss account.

Taxation

Corporation tax is provided on taxable profits at the current rate of taxation. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the company has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

Share based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting periods, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using the Black-Scholes-Merton option pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account.

1 Accounting policies *(continued)*

Pension Costs

The company operates a defined contribution scheme for all employees. Contributions are charged to the profit and loss account as and when they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

The assets of the scheme are separately held from those of the company.

Operating leases

As lessee:

Rental costs under operating leases are charged to the profit and loss account as incurred.

As lessor:

Operating lease rental income arising from leased assets is recognised as turnover in the profit and loss account on a straight line basis over the period of the lease.

2 Turnover and segmental analysis

An analysis has not been included, as the directors believe that to do so would be seriously prejudicial to the interest of the company.

3 Operating loss

	2015 £'000	2014 £'000
This is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets	5,037	5,402
Amortisation of goodwill	5,625	7,531
Intangible Assets Impairment charge (Note 10)	100,443	20,254
Tangible Assets Impairment charge (Note 11)	3,449	-
Other Asset write downs (see below)	1,136	-
Amortisation of other intangible assets	134	134
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	119	81
Exchange differences	(2,753)	(882)
Rentals under operating leases:		
- Land and buildings	426	326
- Other	14,549	20,010
Reversal/(receipt) of Group indemnity (see below)	-	1,907

3 Operating loss (continued)

Due to a decline in bandwidth usage and significant downward pressure on contract prices the company determined it necessary to impair certain intangible and tangible assets (see Notes 10 & 11 respectively). Additionally the company also wrote down certain stock and trade receivable balances existing at the balance sheet date, totaling £1.1m. The Company's management believe that this level of adjustment properly reflects the recoverability of those assets in light of current market conditions.

In 2014, the directors concluded that the then future cash flows of the company would be insufficient to support the carrying value of the company's goodwill. Accordingly the company recorded an impairment charge in that period of £20.3m against goodwill.

In 2013 the company recorded an indemnity receipt due from its US Parent. The amount was included as part of the administrative expense for that period. After further consideration it was agree with the company's US Parent that the amount should not have been included as income of the company and the original recording of this amount has now been reversed.

4 Exceptional items

	2015 £'000	2014 £'000
Voluntary disclosure settlement (see Note 9d below)	-	(750)

5 Employees

Staff costs (including directors) consist of:

	2015 £'000	2014 £'000
Wages and salaries	11,008	12,627
Social security costs	2,079	2,185
Other pension costs (Note 17)	559	527
	13,646	15,339

Included in wages and salaries is a total expense of share-based payments of £484,934 (2014: £501,268) of which £484,934 (2014: £501,268) arises from transactions accounted for as equity-settled share-based payment transactions.

The average number of employees (including directors) during the year was as follows:

	2015 Number	2014 Number
Engineering	207	216
Sales	17	10
Administration	33	43
	257	269

6 Directors' remuneration

	2015 £'000	2014 £'000
Directors' emoluments	271	258
Defined contribution pension scheme	7	6

There was 1 director in the company's defined contribution pension scheme during the year (2014 - 1).

Certain directors of the company are also directors or officers of other companies within the Harris Corporation group. These directors' services to the company do not occupy a significant amount of their time. As such these directors do not consider that they receive any remuneration for their services to the company.

7 Interest receivable and similar income

	2015 £'000	2014 £'000
Bank deposits	6	5

8 Interest payable and similar charges

	2015 £'000	2014 £'000
Bank loans and overdrafts	14	3
Loans from group companies	2,469	2,434
	2,483	2,437

9 Taxation

(a) Tax on loss on ordinary activities:
The tax credit is made up as follows:

	2015 £'000	2014 £'000
Current tax:		
Adjustment in respect of prior periods	-	(121)

(b) Factors affecting the current period tax credit:

The tax assessed for the period differs from the standard rate of corporation tax in the UK applied to the loss before tax as follows:

	2015 £'000	2014 £'000
Loss on ordinary activities before tax	(110,867)	(27,020)
Loss on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 20.75% (2014 - 22.50%)	(23,005)	(6,080)
Effects of:		
Expenses not deductible for tax purposes	43	474
Accelerated capital allowances	976	571
Income non-taxable for tax purposes	-	(169)
Other timing differences	(517)	(95)
Tax losses carried forward	22,259	5,252
Group relief (nil consideration)	244	47
Adjustment in respect of prior period	-	(121)
	-	(121)

(c) Factors affecting future tax charges:

The main rate of UK corporation tax reduced from 21% to 20% effective from 1 April 2015. The Finance (No. 2) Act 2015, which provides for a reduction in the main rate of corporation tax from 20% to 19% effective from 1 April 2017 and a further reduction to 18% effective from 1 April 2020, was substantively enacted on 26 October 2015. In the 2016 Budget on 16 March 2016, the Chancellor of the Exchequer announced a further reduction in the main rate of corporation tax to 17%, effective from 1 April 2020. However, the company will only recognise the impact of the rate change which is substantively enacted at the balance sheet date in its financial statements.

9 Taxation (continued)

(d) Voluntary disclosure to HMRC

As a consequence of a review of the former CapRock Group's global transfer pricing policy the company made a voluntary disclosure to HMRC regarding the appropriateness of amounts charged for services rendered by an affiliate in this and prior periods going back to that ended 31 December 2008. As a result of that disclosure, prior period adjustments were made in 2012 to reflect what the company was advised represented an acceptable transfer pricing policy. HMRC raised tax assessments on the company to collect the additional tax that was estimated to be due based on that transfer pricing policy. This discussion with HMRC concluded in December 2014 with the result that a further reduction of £0.75m was made to charges previously rendered by the affiliate. This amount has been credited to Profit & Loss account as an exceptional item (Note 4) and the consequential tax impacts dealt with as a prior year tax credit noted above.

The company now expects the total amount over charged by the affiliate and included within amounts owed by group undertakings, £7.75m to be repaid based on assurances received from the Group.

(e) Deferred tax

The deferred taxation asset/(liabilities) recognised in the financial statements and the amounts not recognised are:

	Recognised	2015 Not Recognised	Recognised	2014 Not Recognised
	£'000	£'000	£'000	£'000
Depreciation charge in advance of capital allowances	-	2,847	-	1,202
Acquisition costs allocated to intangibles	-	-	-	736
Other timing differences	-	428	-	190
Losses	-	30,517		9,742
	-	33,792	-	11,870

10 Intangible fixed assets

	Developed technologies £'000	Other intangible fixed assets £'000	Purchased Goodwill £'000	Total £'000
Cost				
At 27 June 2014 & 3 July 2015	806	2,734	150,617	154,157
Amortisation				
At 28 June 2014	438	2,734	44,783	47,955
Provided for the period	134	-	5,625	5,759
Impairment charge	234	-	100,209	100,443
At 3 July 2015	806	2,734	150,617	154,157
Net book value				
At 3 July 2015	-	-	-	-
At 27 June 2014	368	-	105,834	106,202

Due to a decline in bandwidth usage and significant downward pressure on contract prices the company determined it necessary to impair intangible assets existing at the balance sheet date, totaling £100.4m. The Company's management believe that this level of adjustment properly reflects the recoverability of those assets in light of current market conditions.

11 Tangible fixed assets

	Freehold land and buildings £'000	Leasehold property & improvements £'000	Rental equipment £'000	Fixtures, fittings, tools & equipment £'000	Total £'000
Cost					
At 28 June 2014	1,769	1,305	25,945	539	29,558
Additions			772		772
Retirements			(16,718)		(16,718)
At 3 July 2015	1,769	1,305	9,999	539	13,612
Depreciation					
At 28 June 2014	92	419	15,938	321	16,770
Provided for the period	4	120	4,738	175	5,037
Impairment charge			3,449		3,449
Retirements			(16,718)		(16,718)
At 3 July 2015	96	539	7,407	496	8,538
Net book value					
At 1 July 2015	1,673	766	2,592	43	5,074
At 27 June 2014	1,677	886	10,007	218	12,788

The cost of assets under the course of construction amounting to £2,678,000 (2013: £6,996,000) are included within rental equipment.

12 Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 27 June 2014 and 3 July 2015	8

The company's principal subsidiary undertakings at 3 July 2015 were as follows:

Subsidiary undertakings	**Country of incorporation or registration**	**Class of share capital held**	**Proportion of share capital held**	**Nature of business**
CapRock Communications Norway AS	Norway	Ordinary	100%	Communication services
CapRock Communications International Limited	UK	Ordinary	100%	Communication services

13 Stock

	2015 £'000	2014 £'000
Raw materials and consumables	3,717	2,735
Work in progress	320	451
	4,037	3,186

As outlined in Note 3 above the Company has written down certain stock items. The amount stated above is after a write down of £0.8m.

14 Debtors

	2015 £'000	2014 £'000
Trade debtors	6,258	7,301
Amounts owed by group undertakings	39,768	40,944
Other debtors	1,800	2,077
Corporation tax	-	374
Prepayments and accrued income	3,776	3,135
	51,602	53,831

All amounts shown under debtors fall due within one year.

As outlined in Note 3 above the Company has written down certain trade debtor items. The amount stated above is after a write down of £0.3m.

15 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	3,509	5,071
Amounts owed to group undertakings	17,552	35,255
Other taxation and social security	318	864
Other creditors	209	286
Accruals and deferred income	5,530	3,461
	27,118	44,937

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due after more than one year

	2015 £'000	2014 £'000
Amounts owed to group undertakings	92,143	96,139

A loan for the principal sum of £85,717,705 was originally made to CapRock UK Limited by its ultimate parent company Harris Corporation under a credit facility dated 4 April 2011. Since that date further draw-downs have been made against the facility which shall not exceed £100m. Interest was charged during the year at 2.54%. A Promissory Note agreement is in place whereby CapRock UK Limited promises to repay the principal sum and all accumulated interest on 1 July 2016. It is expected that the terms of this note will be further extended beyond July 2016.

17 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge amounted to £559,000 (2014 - £527,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Share capital

	2015 £'000	2014 £'000
Allotted, called up and fully paid		
17,494,492 Ordinary Shares of £1 each	17,495	16,415

During the year the company issued 1.08m ordinary shares of £1 each for a consideration of £6.02m. The shares were issued at a premium of £3.5m.

19 Reserves

	Share premium account £'000	Profit and loss account £'000
At 27 June 2014	88,178	(54,526)
Loss for the year	-	(110,867)
Premium on shares issued during the year	3,522	-
At 3 July 2015	91,700	(165,393)

20 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 30 June 2013	16,415	88,178	(27,627)	76,966
Loss for the period	-	-	(26,398)	(26,398)
Share-based remuneration	-	-	(501)	(501)
At 27 June 2014	16,415	88,178	(54,526)	50,067
Loss for the period	-	-	(110,382)	(110,382)
Share-based remuneration	-	-	(485)	(485)
Issue of shares	1,080	3,522	-	4,602
At 3 July 2015	17,495	91,700	(165,393)	(56,198)

21 Commitments under operating leases

The company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings 2015 £'000	**Other 2015 £'000**	**Land and buildings 2014 £'000**	**Other (restated) 2014 £'000**
Operating leases which expire:				
Within one year	-	2,442	-	1,271
In two to five years	34	1,092	59	-
After five years	265	10,861	265	12,812
	299	14,394	324	14,083

Commitments entered into in foreign currencies have been translated and disclosed in the above table using the prevailing exchange rate at 3 July 2015. Lease commitments have been restated to exclude amounts incorrectly included in the prior year

22 Capital commitments

	2015 £'000	2014 £'000
Contracted for but not provided for	552	5,095

23 Share-based payments

At 3 July 2015, the company participated in three group shareholder-approved stock incentive plans for employees under which options or other share-based compensation were outstanding. The following types of share-based awards outstanding under these plans are stock options, performance share awards, performance share unit awards and restricted stock unit awards.

Stock options

Share options in shares of the company's ultimate parent, Harris Corporation, are granted to senior executives with more than 12 months' service, in accordance with Harris Corporation's shareholder-approved stock incentive plans. Option exercise prices are 100 percent of the fair market value on the date the options are granted. Options may be exercised for a period set at the time of the grant, which is usually three years, and they generally become exercisable in instalments, which are typically 33.3 percent after the first anniversary of the date of the grant, and 33.3 percent after each of the dates of the second and third anniversaries of the date of the grant.

The fair value of each option award is estimated on the date of the grant using the Black-Scholes-Merton option-pricing model which uses assumptions noted in the following table. Harris Corporation obtained an independent valuation to assist with determining market-based assumptions to estimate the fair value of stock options granted. Expected volatility is based on implied volatility from traded options on Harris Corporation stock, historical volatility of Harris Corporation stock price over the last ten years and other factors. The expected term of the options is based on historical observations of Harris Corporation stock over the past ten years, considering average years to exercise for all options exercised, average years to cancellation for all options, cancelled and average years remaining for outstanding options, which is calculated based on the weighted-average vesting period plus the weighted-average of the difference between the vesting period and the average years to exercise and cancellation. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury curve in effect at the time of the grant.

The following table lists inputs to the model used for the periods ended 3 July 2015 and 27 June 2014.

	2015	2014
Expected dividends (%)	2.70	2.80
Expected volatility (%)	24.3	30.7
Risk-free interest rates (%)	1.70	1.70
Expected terms (years)	5.02	5.10

23 Share based payments (continued)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the period.

	2015 No.	2015 WAEP US $	2014 No.	2014 WAEP US $
Outstanding at 28 June	61,211	$48.37	53,464	$43.33
Granted during the period	10,950	$71.02	24,850	$56.97
Forfeited during the period	(13,297)	$57.42	(4,553)	$52.10
Excercised during the period	(13,031)	$47.01	(12,570)	$42.63
Transferred out (to US) during the period				
Outstanding at 3 July	45,833	$51.53	61,211	$48.37
Exercisable at 3 July	25,168	$44.62	15,189	$42.78

There are no options included in the outstanding balance that have not been recognised in accordance with FRS20 as the options were granted on or before 7 November 2002.

The weighted average fair value of options granted during the period was US$12.17 (2014: US$12.39). The range of exercise prices for options outstanding at the end of the period was US$37.69 - US$71.02 (2014: US$37.69 - US$56.97).

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other features of options granted were incorporated into the measurement of fair value.

23 Share based payments (continued)

Restricted stock unit awards

The following information relates to awards of restricted stock units that have been granted to employees under Harris stock incentive plans. The restricted stock units are not transferable until vested and the restrictions lapse upon the achievement of continued employment over a specified time period.

The fair value of each restricted stock unit is equal to the most probable estimate of intrinsic value at the time of distribution and is charged to wages and salaries expense over the vesting period. At 3 July 2015, there were nil (2014: nil) restricted stock and 14,171 (2014: 21,169) restricted stock units outstanding.

The following table illustrates the number and weighted average grant prices (WAGP) of, and movements in, restricted stock units during the period.

	2015	2015	2014	2014
		WAEP		WAEP
	No.	US $	No.	US $
Outstanding at 28 June	21,619	$50.94	28,602	$44.51
Granted during the period	950	$77.32	14,650	$59.50
Released during the period	(6,569)	$37.69	(15,433)	$46.57
Forfeited during the period	(1,829)	$58.12	(6,200)	$52.37
Outstanding at 3 July	14,171	$57.92	21,619	$50.94

23 Share based payments (continued)

Performance share awards

The following information relates to awards of performance shares and performance share units that have been granted to employees under Harris stock incentive plans. Generally, performance share and performance share unit awards are subject to performance criteria such as meeting predetermined earnings and return on invested capital targets for a three year plan period. These awards also generally vest at the expiration of the same three year period. The final determination of the number of shares to be issued in respect of an award is determined by Harris' Board of Directors or a committee of Harris' Board of Directors.

The fair value of each performance share is based on the closing price of Harris stock on the date of the grant and is charged to wages and salaries expense over its vesting period, if achievement of the performance measures is considered probable. At 3 July 2015 there were no performance shares outstanding (2014: nil).

The fair value of each performance share unit is equal to the most probable estimate of intrinsic value at the time of distribution and is charged to wages and salaries expense over the vesting period. At 3 July 2015, there were 11,527 (2014: 11,100) performance share units outstanding.

	2015 No.	2015 WAEP US $	2014 No.	2014 WAEP US $
Outstanding at 28 June	11,100	$52.94	6,750	$47.81
Granted during the period	2,350	$66.43	5,500	$59.44
Forfeited during the period	(1,923)	$59.70	(1,150)	$53.90
Released during the period	-		-	
Transferred out during the period	-		-	
Outstanding at 3 July	11,527	$54.56	11,100	$52.94

The expense recognized for all share based payments in the profit and loss account for the period ended 3 July 2015 is £484,934 (2014: £501,268). UK national insurance costs related to the exercise of the above options are recoverable in full from the company's ultimate parent Harris Corporation.

24 Related party disclosures

The company has taken advantage of the exemptions under FRS 8 from disclosing transactions with wholly-owned entities which are part of the Harris Corporation group. There are no other related party transactions.

25 Ultimate parent undertaking and controlling party

The company's ultimate parent undertaking and controlling party, and the parent undertaking of the smallest and largest group for which group financial statements are drawn up and of which the company is a member, is Harris Corporation, incorporated in Delaware, USA. Copies of the financials statements of Harris Corporation can be obtained from 1025 West NASA Boulevard, Melbourne, Florida 32919, USA, or viewed on Harris Corporations' website at www.harris.com.