CapRock UK Limited

Report and Financial Statements
For the year ended 27 June 2014

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 Blenheim House Fountainhall Road Aberdeen AB15 4DT

The directors present their strategic report on the company for the year ended 27 June 2014.

Principal activities and review of business developments

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

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.

The company has experienced certain operating losses in each of its financial years ending in June 2013 and 2014. As a consequence the directors have performed a comprehensive discounted cash flow analysis based on an agreed and committed divisional strategic plan. This analysis has indicated that the future cash flows from the business are insufficient to support the carrying value of the company's goodwill. Accordingly the company has recorded an impairment charge of £20.254m against goodwill. This amount has been charged in arriving at the Operating loss for the year (see Note 3 below).

Key Performance Indicators (KPIs)

The company did not manage to maintain sales growth in 2013/14, and battled against ever increasing operating costs and the falling value of the British pound, The directors of the company monitor progress on the overall group strategy by reference to the following KPIs:

	2014	2013	Definition, method of calculation and analysis
Growth in sales	(15.4%)	(19.3%)	Year on year change in like for like sales, expressed as a percentage.
Operating margin	(53.4%)	(11.7%)	Ratio of operating loss (excluding exceptional items) to sales, expressed as a percentage.
Return on invested capital	(50.7%)	(8.6%)	Operating loss expressed as a percentage of net assets. Excluding the impact of the goodwill impairment the return has remained broadly consistent with the prior year.

Principal risks and uncertainties

The CapRock group continued to experience challenging market conditions during the period 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 group 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, 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.

Going concern

The company's ultimate parent Harris Corporation has undertaken to ensure adequate funds are made available to the company to meet its working capital requirements and outstanding liabilities for at least 12 months after the date of approval of the financial statements. As a result, the directors have continued to apply the going concern basis of preparation for these financial statements.

By order of the Board

D R Redrup
Director
Date: 10 September 2015

The directors present their report and the audited financial statements for the year ended 27 June 2014.

Results and dividend

The results for the year are set out on page 11 of the financial statements.

The company's sales revenues decreased by 15% (2013 decrease of 19%) over the previous year and the company's operating loss increased to £25.3m compared to £6.6m in 2013 primarily as a consequence of the impairment charge detailed in Note 3.

The Directors recommend that no dividend be paid (2013:£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.

Post Balance Sheet Event

Since the year end, the Group has launched a new technology, "Harris CapRock One" which is an intelligent, highly-integrated, end-to-end service that transparently switches between the various transport mediums to optimize communications for customers around the globe. This has led to a recent review by the company of its inventory carrying value of £3.186m at June 2014 (Note 13).

Based on available information and market conditions, the directors remain satisfied that the carrying value of the inventory was not impaired at 30 June 2014. They recognise however that since that time the subsequent successful marketing of this new technology may have impacted the carrying value of the company's inventory.

The company is continuing to review and update its recoverable value calculations. Currently the directors are of the opinion that the inventory value has, subsequent to the year end, suffered an impairment of between £0.85m and £1m.

The directors consider that as this impairment results from an event subsequent to the year end, it is a non adjusting event in terms of FRS 21 - Events after the Balance Sheet date.

Directors of the Company

The directors who held office during the year and subsequent to the yearend were:

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

Directors' liability insurance

During the year, 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 year, the company made no contributions to charitable organisations (2013: £nil). Donations made in 2014 were made to a number of charities, no charity receiving more than £500. The company did not make any contributions to any political organisation during the year (2013: £nil).

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 year, 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 the Harris Group both in the UK and overseas that offer promotion and career development.

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.

Disclosure of Information of the Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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: 10 September 2015

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.

Independent auditor's report to the shareholders of CapRock UK Limited

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Report on the financial statements

We have audited the financial statements of CapRock UK Limited for the year ended 27 June 2014, which comprise the Profit and Loss Account, the Balance Sheet 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 8, 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 consitently 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 27 June 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

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

Kenneth MacLeod Hall (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

Date: 10 September 2015

CapRock UK Limited
Profit and loss account for the year ended 27 June 2014

	Note	2014 £'000	2013 £'000
Turnover	2	47,463	56,075
Cost of sales		(48,024)	(57,031)
Cost of sales - impairment charge	3,10	(20,254)	-
Gross loss		(20,815)	(956)
Administrative expenses		(4,523)	(5,630)
Operating loss	3	(25,338)	(6,586)
Exceptional item	4	750	-
Interest receivable and similar income	7	5	4
Interest payable and similar charges	8	(2,437)	(2,913)
Loss on ordinary activities before taxation		(27,020)	(9,495)
Taxation on loss on ordinary activities	9	121	-
Loss on ordinary activities after taxation	19,20	(26,899)	(9,495)

All amounts relate to continuing activities.

The company has no recognised gains or losses for the year other than the results above. Accordingly, no separate statement of total recognised gains and losses has been presented.

CapRock UK Limited
Balance sheet at 27 June 2014

Company number SC145376	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Fixed assets					
Intangible assets	10		106,202		134,121
Tangible assets	11		12,788		14,910
Fixed asset investments	12		8		8
			118,998		149,039
Current assets					
Stock	13	3,186		4,838	
Debtors	14	53,831		56,052	
Cash at bank and in hand		15,128		6,379	
		72,145		67,269	
Creditors: amount falling due within one year	15	44,937		53,647	
Net current assets			27,208		13,622
Total assets less current liabilities			146,206		162,661
Creditors: amounts falling due after more than one year	16		96,139		85,695
			50,067		76,966
Capital and reserves					
Called up share capital	18		16,415		16,415
Share premium account	19		88,178		88,178
Profit and loss account	19		(54,526)		(27,627)
Shareholders' funds	20		50,067		76,966

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

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D R Redrup
Director
Date: 10 September 2014

The notes on pages 13 to 27 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:

Consolidated financial statements

The financial statements contain information about CapRock UK Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company has taken advantage of the exemption conferred by section 401 of the Companies Act 2006 not to produce consolidated financial statements as it is included in non-EEA group accounts of a larger group. The company is included in the publicly available consolidated financial statements of the ultimate parent company, Harris Corporation, a corporation registered in the state of Delaware, USA and quoted on the New York Stock Exchange (symbol: HRS).

Going concern

The financial statements have been prepared under the going concern basis. The directors believe this basis to be appropriate as the parent company has provided the directors with an undertaking that for 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. It has further undertaken that it will act to ensure that repayment is not sought for at least a year from the date of signature of these financial statements of the amounts currently made available to the company by fellow group undertakings. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so. Based on this undertaking the directors believe that it remains appropriate to prepare the financial statements on a going concern basis.

Cash flow statement

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 "Cash Flow Statements (revised 1996)" not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by Harris Corporation and the company is included in 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.

1 Accounting policies *(continued)*

Intangible Fixed assets (excluding goodwill) (continued)

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 writedowns 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 property	- 45 years (improvements 15 years)
Leasehold property & improvements	- over the term of the lease
Rental equipment	- 5 years
Test 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 year 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.

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

	2014 £'000	2013 £'000
This is arrived at after charging / (crediting):		
Depreciation of tangible fixed assets	5,402	5,581
Amortisation of goodwill	7,531	7,525
Goodwill impairment charge	20,254	-
Amortisation of other intangible assets	134	1,160
Auditors' remuneration - fees payable to the company's auditor for the audit of the company's annual accounts	81	71
Exchange differences	(882)	943
Rentals under operating leases:		
- Land and buildings	326	397
- Other	20,010	24,511
Reversal/(receipt) of Group indemnity (see below)	1,907	(1,907)

3 Operating loss (continued)

The company has experienced certain operating losses in each of its financial years ending in June 2013 and 2014. As a consequence the directors have performed a comprehensive discounted cash flow analysis based on an agreed and committed divisional strategic plan. This analysis has indicated that the future cash flows from the business are insufficient to support the carrying value of the company's goodwill. Accordingly the company has recorded an impairment charge of £20.254m against goodwill.

In 2013 the company recorded an indemnity receipt due from its ultimate US Parent. The amount was included as part of administrative expenses for that year. After further consideration it has been agreed 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

	2014 £'000	2013 £'000
Voluntary disclosure settlement (see Note 9d below)	(750)	-

5 Employees

Staff costs (including directors) consist of:

	2014 £'000	2013 £'000
Wages and salaries	12,627	12,518
Social security costs	2,185	2,010
Other pension costs (Note 17 below)	527	602
	15,339	15,130

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

	2014 Number	2013 Number
Engineering	216	234
Sales	10	15
Administration	43	41
	269	290

6 Directors' remuneration

	2014 £'000	2013 £'000
Directors' emoluments	258	151
Defined contribution pension scheme	6	5

There was 1 director in the company's defined contribution pension scheme during the year (2013 - 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 for the periods ended 27 June 2014 and 30 June 2013. D R Redrup and S Mikuen are remunerated respectively through Harris Systems Limited and Harris Corporation and no direct apportionment of their salaries has been made to the company.

7 Interest receivable and similar income

	2014 £'000	2013 £'000
Bank deposits	5	4

8 Interest payable and similar charges

	2014 £'000	2013 £'000
Bank loans and overdrafts	3	20
Loans from group companies	2,434	2,893
	2,437	2,913

9 Taxation

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

	2014 £'000	2013 £'000
Current tax:		
Adjustment in respect of prior years	(121)	-

(b) Factors affecting the current year tax credit:

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

	2014 £'000	2013 £'000
Loss on ordinary activities before tax	(27,020)	(9,495)
Loss on ordinary activities multiplied by the effective standard rate of corporation tax in the UK of 22.5% (2013 - 23.75%)	(6,080)	(2,255)
Effects of:		
Expenses not deductible for tax purposes	474	57
Accelerated capital allowances	571	59
Income non-taxable for tax purposes	(169)	
Other timing differences	(95)	138
Tax losses carried forward	5,252	1,987
Group relief (nil consideration)	47	14
Adjustment in respect of prior year	(121)	-
	(121)	-

(c) Factors affecting future tax charges:

In the 2012 and 2013 budgets, the Chancellor of the Exchequer announced reductions in the rate of corporation tax to 21 per cent from 1 April 2014, and 20 percent from 1 April 2015.

As at 30June 2014, the reduction in the rate to 20 per cent had been substantively enacted.

The reduction in the rate to 20 per cent is forecast to have an insignificant impact on future charges to the profit and loss account and has been reflected in the deferred tax asset.

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:

	2014 Recognised £'000	2014 Not Recognised £'000	2013 Recognised £'000	2013 Not Recognised £'000
Depreciation charge in advance of capital allowances	-	1,202	-	393
Acquisition costs allocated to intangibles	-	736	-	1,069
Other timing differences	-	190	-	94
Losses	-	9,742		6,059
	-	11,870	-	7,615

10 Intangible fixed assets

	Developed technologies £'000	Other intangible fixed assets £'000	Purchased goodwill £'000	Total £'000
Cost				
At 1 July 2013 and 27 June 2014	806	2,734	150,617	154,157
Amortisation				
At 1 July 2013	304	2,734	16,998	20,036
Provided for the year	134	-	7,531	7,665
Impairment charge	-	-	20,254	20,254
At 27 June 2014	438	2,734	44,783	47,955
Net book value				
At 27 June 2014	368	-	105,834	106,202
At 30 June 2013	502	-	133,619	134,121

The company has experienced certain operating losses in each of its financial years ending in June 2013 and 2014. As a consequence the directors have performed a comprehensive discounted cash flow analysis based on an agreed and committed divisional strategic plan. This analysis has indicated that the future cash flows from the business are insufficient to support the carrying value of the company's goodwill. Accordingly the company has recorded an impairment charge of £20.254m against goodwill. This amount has been charged in arriving at the Operating loss for the year (see Note 3 above).

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 1 July 2013	1,769	1,303	24,925	539	28,536
Additions	-	2	4,075	-	4,077
Retirements	-	-	(3,055)	-	(3,055)
At 27 June 2014	1,769	1,305	25,945	539	29,558
Depreciation					
At 1 July 2013	70	295	13,041	220	13,626
Provided for the year	22	124	5,155	101	5,402
Retirements	-	-	(2,258)	-	(2,258)
At 27 June 2014	92	419	15,938	321	16,770
Net book value					
At 27 June 2014	1,677	886	10,007	218	12,788
At 30 June 2013	1,699	1,008	11,884	319	14,910

Assets under the course of construction amounting to £6,996,000 (2013: £3,018,000) are included within rental equipment.

12 Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 July 2013 and 27 June 2014	8

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

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

13 Stock

	2014 £'000	2013 £'000
Raw materials and consumables	2,735	4,409
Work in progress	451	429
	3,186	4,838

At the Balance Sheet date there was no material difference between the replacement cost of stocks and the amounts stated above. Since the Balance Sheet date certain changes in technology have caused the company to reassess the carrying value of certain stock items. This is discussed more fully at Note 25 below.

14 Debtors

	2014 £'000	2013 £'000
Trade debtors	7,301	6,118
Amounts owed by group undertakings	40,944	45,549
Other debtors	2,077	903
Corporation tax	374	252
Prepayments and accrued income	3,135	3,230
	53,831	56,052

All amounts shown under debtors fall due within one year.

15 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	5,071	7,185
Amounts owed to group undertakings	35,255	40,979
Other taxation and social security	864	617
Other creditors	286	464
Accruals and deferred income	3,461	4,402
	44,937	53,647

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

16 Creditors: amounts falling due after more than one year

	2014 £'000	2013 £'000
Amounts owed to group undertakings	96,139	85,695

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 2.14750%. 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 £527,000 (2013 - £602,000). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

18 Share capital

	2014 £'000	2013 £'000
Alloted, called up and fully paid		
16,414,750 Ordinary Shares of £1 each	16,415	16,415

19 Reserves

	Share premium account £'000	Profit and loss account £'000
At 1 July 2013	88,178	(27,627)
Loss for the year	-	(26,899)
At 27 June 2014	88,178	(54,526)

20 *Reconciliation of movements in shareholders' funds*

	2014 £'000	2013 £'000
Loss for the year	(26,899)	(9,495)
Issue of shares	-	2,763
Premium on shares issued during the year	-	10,737
Net(deductions from) /additions to shareholders' funds	(26,899)	4,005
Opening shareholders' funds	76,966	72,961
Closing shareholders' funds	50,067	76,966

21 Commitments under operating leases

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

	Land and buildings 2014 £'000	Other 2014 £'000	Land and buildings 2013 £'000	Other 2013 £'000
Operating leases which expire:				
Within one year	-	7,905	15	7,544
In two to five years	59	5,895	65	8,765
After five years	265	3,950	292	5,505
	324	17,750	372	21,814

Commitments entered into in foreign currencies have been translated and disclosed in the above table using the prevailing exchange rate at 27 June 2014.

22 Capital commitments

	2014 £'000	2013 £'000
Contracted for but not provided for	5,095	1,764

23 Related party disclosures

The company has taken advantage of the exemptions under Financial Reporting Standard 8 'Related party disclosures' from disclosing transactions with wholly-owned entities which are part of the Harris Corporation group, as the consolidated financial statements of that group are publicly available.

There are no other related party transactions.

24 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.

25 Post balance sheet event

Since the year end, the Group has launched a new technology, "Harris CapRock One" which is an intelligent, highly-integrated, end-to-end service that transparently switches between the various transport mediums to optimize communications for customers around the globe. This has led to a recent review by the company of its inventory carrying value of £3.186m at June 2014 (Note 13 above).

Based on available information and market conditions, the directors remain satisfied that the carrying value of the inventory was not impaired at 30 June 2014. They recognise however that since that time the subsequent successful marketing of this new technology may have impacted the carrying value of the company's inventory.

The company is continuing to review and update its recoverable value calculations. Currently the directors are of the opinion that the inventory value has, subsequent to the year end, suffered an impairment of between £0.85m and £1m.

The directors consider that as this impairment results from an event subsequent to the year end, it is a non adjusting event in terms of FRS 21 - Events after the Balance Sheet date.