

Registered number: 04682395

**REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017  
FOR  
SG SYSTEMS (UK) LIMITED**

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# **SG SYSTEMS (UK) LIMITED**

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**SG SYSTEMS (UK) LIMITED**

**COMPANY INFORMATION**  
**for the year ended 31 March 2017**

**DIRECTORS:**

S A King  
N C Coote  
C Warnock

**SECRETARY:**

Lorraine Young Company Secretaries Limited

**REGISTERED OFFICE:**

The Old Church  
31 Rochester Road  
Aylesford  
Kent  
ME20 7PR

**REGISTERED NUMBER:**

04682395 (England and Wales)

**AUDITOR:**

Crowe Clark Whitehill LLP  
Chartered Accountants & Registered Auditors  
10 Palace Avenue  
Maidstone  
Kent  
ME15 6NF

**SG SYSTEMS (UK) LIMITED**  
**For the year ended 31 March 2017**

**REPORT OF THE DIRECTORS**

The directors present their report with the audited financial statements of the Company for the year ended 31 March 2017.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company in the year under review was that of the sale of security and labelling equipment and consumables.

**REVIEW OF BUSINESS**

In its first full year since it joined the PHSC plc group, SG Systems (UK) Limited (SG) generated sales of £1.4m. Sales were lower than forecast due to a hiatus in store openings and refits from a major grocery customer following its acquisition of another retailer. This, combined with pressure on gross margins caused by the depreciation of sterling following the June 2016 EU Referendum, has meant that the Company made a loss for the year.

SG's traditional core customer base of national retail chains in the department store, fashion, grocery, stationery and electronics sectors has generally continued to trade well during 2016-17. The significant efforts made by the SG sales team during 2016-17 have seen a number of new retail accounts and a number of new product lines being launched in response to customer demand which will provide a strong platform for growth in 2017-18 and beyond. Sectorally the customer base has also diversified with a series of projects implemented in a range of non-retail sectors, including construction, school libraries, prisons/secure units, tourist attractions and hotels.

During the year closer operational links have developed with B to B Links Ltd and these will deepen further during the 2017-18 financial year. SG's key priorities for 2017-18 are to grow sales through the introduction of new products in existing accounts and new accounts and to improve efficiency of stock management and technical delivery.

**SG SYSTEMS (UK) LIMITED**  
for the year ended 31 March 2017

**REPORT OF THE DIRECTORS**

**KEY PERFORMANCE INDICATORS**

	Notes	Year ended 31.3.17 £	Six months to 31.3.16 £
Earnings before interest, tax, depreciation and amortisation (EBITDA)		(123,160)	(16,424)
Add back: management charge from PHSC plc		12,000	3,645
	a	<u>(111,160)</u>	<u>(12,779)</u>
Turnover		1,414,480	706,025
Gross profit		472,981	306,010
<b>Gross profit margin</b> ( <i>gross profit / turnover</i> )	b	<b>33%</b>	<b>43%</b>
Trade debtors		163,820	131,758
Trade debtors excluding VAT		136,517	109,798
<b>Debtor days</b> ( <i>trade debtors excluding VAT / turnover x 365</i> )	c	<b>35</b>	<b>57</b>
Current assets		426,293	376,334
Less: amounts owed by group companies		<u>(1,172)</u>	<u>(1,632)</u>
		<u>425,121</u>	<u>374,702</u>
Current liabilities		362,829	193,099
Amounts owed to group companies		<u>(4,540)</u>	<u>(6,662)</u>
		<u>358,289</u>	<u>186,437</u>
<b>Current ratio</b> ( <i>current assets / current liabilities</i> ) ( <i>both excluding group balances</i> )	d	<b>1.2</b>	<b>2.0</b>
<b>Staff statistics (excluding directors)</b>	e		
Joiners during the period/year		5	2
Leavers during the period/year		5	2
Average length of service per staff member		3 years	4 years

**Notes:**

- (a) The key figure for profitability used by the directors and management team is EBITDA with the management charges from PHSC plc added back. This figure forms the basis of announcements of the consolidated group results to investors.
- (b) The gross profit margin is tracked on a monthly basis as this reflects the core profitability of the Company and illustrates the financial success of the services being provided by SG. The 10% decrease in the gross profit margin in part reflects the pressure caused by the devaluation of sterling following the June 2016 EU Referendum
- (c) The improvement in debtor days shows that sales are being converted more quickly into cash; SG currently waits an average of just over a month to be paid.
- (d) The current ratio is used to monitor the liquidity of SG. The figures of 1.2 and 2.0 suggest that SG can meet its short term obligations.
- (e) SG had 9 (2016 – 9) members of staff at the period end. During the year ended 31 March 2017, five members of staff left SG but were replaced leaving the total number of staff employed unchanged.

**SG SYSTEMS (UK) LIMITED**  
**for the year ended 31 March 2017**

**REPORT OF THE DIRECTORS**

**DIVIDENDS**

A dividend was not paid during the year (2016 – £21,193) .

**DIRECTORS**

The directors during the year under review were:

S A King  
N C Coote  
C Warnock

**INTERNAL CONTROLS**

The directors acknowledge their responsibilities for the Company's systems of internal control. The directors consider all major business and financial risks and resolve strategic decisions. Accepting that no system of control can provide absolute assurance against material misstatement or loss, the directors believe that the established systems for internal control within the Company are appropriate to the business.

**PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy, are subject to a number of risks and uncertainties. As the Company is a 100% subsidiary of PHSC plc, it is appropriate to consider these in the context of the Group as a whole. Further discussion is provided in note 1 to the financial statements in the Group's annual report.

**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

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

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union 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 and loss for that period. In preparing the financial statements, the directors are required to;

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with 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.

**SG SYSTEMS (UK) LIMITED**  
**for the year ended 31 March 2017**

**REPORT OF THE DIRECTORS**

**GOING CONCERN**

The directors confirm that they consider the going concern basis to be appropriate. The Company can access support from its holding company, PHSC plc, that has considerable financial resources together with long-term agreements with a number of customers based in different geographic areas. As a consequence, the directors have a reasonable expectation that the Company, will be able to continue in operational existence for the foreseeable future.

**PROVISION OF INFORMATION TO THE AUDITOR**

So far as each of the directors is aware at the time the report is approved;

- there is no relevant audit information of which the Company's auditor is unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The above report has been prepared in accordance with the special provisions relating to small companies within part 15 of the Companies Act 2006.

**ON BEHALF OF THE BOARD:**



S King - Director  
10 August 2017

## REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF SG SYSTEMS (UK) LIMITED

We have audited the financial statements of SG Systems (UK) Limited for the year ended 31 March 2017 which comprise the statement of financial position, the statement of comprehensive income, the cash flow statement, the statement of changes in equity and the related notes numbered 1 to 19.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders 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 statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **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 at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Crowe Clark Whitehill LLP

Darren Rigden, Senior Statutory Auditor  
For and on behalf of Crowe Clark Whitehill LLP Statutory Auditor  
10 Palace Avenue  
Maidstone  
Kent  
ME15 6NF

10 August 2017



**SG SYSTEMS (UK) LIMITED**

**STATEMENT OF COMPREHENSIVE INCOME**  
for the year ended 31 March 2017

	Note	Year ended 31.3.17 £	Period ended 31.3.16 £
<b>Revenue</b>	3	1,414,480	706,025
Cost of sales		<u>(941,499)</u>	<u>(400,015)</u>
<b>GROSS PROFIT</b>		472,981	306,010
Administrative expenses		(598,511)	(324,261)
Finance income		-	10
Finance costs		-	(632)
<b>LOSS BEFORE TAXATION</b>	4	(125,530)	(18,873)
Income tax income/(expense)	8	<u>4,723</u>	<u>(3,833)</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		(120,807)	(22,706)
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME</b>		<u>(120,807)</u>	<u>(22,706)</u>
Attributable to equity holders		(120,807)	(22,706)

All amounts relate to continuing activities.

Accounting policies and notes on pages 11 to 19 form part of these financial statements

## SG SYSTEMS (UK) LIMITED

STATEMENT OF FINANCIAL POSITION  
as at 31 March 2017

		31.3.17	31.3.16
	Note	£	£
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	7,031	10,100
Deferred taxation asset	14	890	-
		<u>7,921</u>	<u>10,100</u>
<b>CURRENT ASSETS</b>			
Inventory	10	254,693	195,050
Trade and other receivables	11	171,600	143,790
Cash at cash equivalents		-	37,494
		<u>426,293</u>	<u>376,334</u>
<b>TOTAL ASSETS</b>		<b>434,214</b>	<b>386,434</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	362,530	190,110
Current corporation tax payable		-	2,989
		<u>362,530</u>	<u>193,099</u>
<b>NON-CURRENT LIABILITIES</b>			
Deferred tax	14	-	844
<b>TOTAL LIABILITIES</b>		<b>362,530</b>	<b>193,943</b>
<b>NET ASSETS</b>		<b><u>71,684</u></b>	<b><u>192,491</u></b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS</b>			
Called up share capital	15	2,288	2,288
Retained earnings		69,396	190,203
		<u>71,684</u>	<u>192,491</u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

Approved and authorised for issue by the Board on 10 August 2017 and signed on its behalf by:



S A King – Director

**SG SYSTEMS (UK) LIMITED**

**STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 March 2017**

	Share Capital £	Retained Earnings £	Total £
<b>Balance at 1 October 2015</b>	2,288	234,102	236,390
Total comprehensive income	-	(22,706)	(22,706)
Dividends	-	(21,193)	(21,193)
<b>Balance at 31 March 2016</b>	<u>2,288</u>	<u>190,203</u>	<u>192,491</u>
 <b>Balance at 1 April 2016</b>	 2,288	 190,203	 192,491
Total comprehensive income	-	(120,807)	(120,807)
<b>Balance at 31 March 2017</b>	<u>2,288</u>	<u>69,396</u>	<u>71,684</u>

**SG SYSTEMS (UK) LIMITED**

**STATEMENT OF CASH FLOWS  
for the year ended 31 March 2017**

	Note	31.3.17 £	31.3.16 £
<b>Cash flows (used by)/from operating activities:</b>			
Cash generated (used by)/from operations	I	(266,416)	183,125
Interest paid		-	(632)
<b>Net cash flows (used by)/from operating activities</b>		<u>(266,416)</u>	<u>182,493</u>
<b>Cash flows from/(used in) investing activities</b>			
Purchase of property, plant and equipment		(338)	(2,762)
Disposal property, plant and equipment		1,037	
Interest received		-	10
<b>Net cash from/(used in) investing activities</b>		<u>699</u>	<u>(2,752)</u>
<b>Cash flows used by financing activities</b>			
Dividends paid to shareholders		-	(21,193)
<b>Net cash used by financing activities</b>		<u>-</u>	<u>(21,193)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(265,717)	158,548
Cash and cash equivalents at beginning of year		37,494	(121,054)
<b>Cash and cash equivalents at end of year</b>		<u>(228,223)</u>	<u>37,494</u>

**NOTES TO THE STATEMENT OF CASH FLOWS  
for the year ended 31 March 2017**

	31.3.17 £	31.3.16 £
<b>I. CASH (USED BY)/GENERATED FROM OPERATIONS</b>		
Operating loss	(125,530)	(18,251)
Depreciation charge	2,370	1,827
Increase in inventory	(59,643)	(19,852)
(Increase)/decrease in trade and other receivables	(27,810)	258,305
Increase/(decrease) in trade and other payables	(55,803)	(38,904)
<b>Net cash (used by)/generated from operations</b>	<u>(266,416)</u>	<u>183,125</u>

## **SG SYSTEMS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 March 2017**

#### **1. BASIS OF PREPARATION**

The Company's financial statements have been prepared in accordance with IFRSs, as adopted by the European Union, International Financial Reporting Interpretation Committee (IFRIC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 18.

Accounting standards require the directors to consider the appropriateness of the going concern basis when preparing the financial statements. The directors confirm that they consider that the going concern basis remains appropriate. The directors have taken notice of the Financial Reporting Council guidance which requires the reasons for this decision to be explained. The directors regard the going concern basis as remaining appropriate as the Company has adequate resources to continue in operational existence for the foreseeable future based upon forecasts. Further details are provided in the directors' report.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not been adopted by the European Union. Following an assessment by the directors, IFRS 15 concerning revenue recognition, is not expected to have an impact on the company's future financial statements. IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures but the figures concerned are not expected to be material.

## **SG SYSTEMS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS for the period ended 31 March 2017**

#### **2. ACCOUNTING POLICIES**

##### **Revenue**

Revenue which excludes value added tax, represents the amount receivable in respect of services provided to customers. Revenue from services is recognised as the services are provided. In respect of services invoiced in advance, amounts are deferred until provision of the service. Income derived from annual contracts is recognised at the point at which a fair value can be attributed to the various components of the contract. Where it is not possible to attribute a fair value, consideration is given to whether sums received are non-refundable.

##### **Deferred income tax**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### **Segmental reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The directors regard the operations of the company as being one business segment. Further analysis of revenue is disclosed in note 3.

##### **Plant, fixtures and equipment**

Plant, fixtures and equipment are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of non-current assets, less their estimated residual value, over their expected useful lives. During the period there was a change in the bases used to align the depreciation policy of SG with other companies within the PSHC plc group.

Plant and machinery	25% reducing balance
Fixtures and fittings	25% reducing balance
Office equipment	25% reducing balance

##### **Operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term in arriving at the profit before income tax.

##### **Inventory**

Inventory is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks. The costs of inventory are calculated on a first in first out basis.

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

##### **Financial instruments**

Provision is made for diminution in value where appropriate. Trade payables are recognised at initially fair value and subsequently measured at amortised cost.

# SG SYSTEMS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the period ended 31 March 2017

### 3. REVENUE

The majority of the revenue of the Company during the period was generated in the United Kingdom and the revenue of the Company for the year derives from the same class of business as noted in the directors' report.

### 4. LOSS BEFORE TAXATION

The loss before taxation is stated after charging:

	31.3.17	Period ended 31.3.16
	£	£
Depreciation – owned assets	2,370	1,827
Foreign currency losses/(gains)	6,543	5,748
Operating lease charges – land and buildings	<u>20,000</u>	<u>10,851</u>

### 5. DIRECTORS' REMUNERATION

	31.3.17	Period ended 31.03.16
	£	£
Directors' emoluments and other benefits	<u>-</u>	<u>7,281</u>

### 6. STAFF COSTS

The average monthly number of employees during the year was as follows:

Directors	3	3
Administration	<u>9</u>	<u>9</u>
	<u>12</u>	<u>12</u>

The aggregate payroll costs of these persons were as follows:

	31.3.17	Period ended 31.3.16
	£	£
Wages and salaries	268,647	165,015
Social security costs	27,802	16,936
Other pension costs	<u>470</u>	<u>-</u>
	<u>296,919</u>	<u>181,951</u>

The directors are considered to be key management personnel of the Company.

### 7. AUDITOR'S REMUNERATION

During the year the Company obtained the following services from the Company's auditors as detailed below:

	31.3.17	Period ended 31.3.16
	£	£
Audit of the company's annual financial statements	<u>4,800</u>	<u>1,200</u>

# SG SYSTEMS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS - continued for the year ended 31 March 2017

### 8. INCOME AND DEFERRED TAX CHARGES

#### Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	31.3.17	Period ended 31.03.16
	£	£
Current tax:		
UK corporation tax at 20% (2016 – 20%)	-	2,989
Corporation tax under/(over) provision in respect of prior years	(2,989)	-
Total current tax	<u>(2,989)</u>	<u>2,989</u>
Deferred tax:		
Origination and reversal of timing differences	(397)	189
Adjustments in respect of prior periods	(1,337)	690
Effect of tax rate change on opening balance	-	(35)
Tax on profit on ordinary activities	<u>(4,723)</u>	<u>3,833</u>

#### Factors affecting the tax charge

The tax assessed for the year is lower (2016 – lower) than the standard rate of corporation tax in the UK.

The difference is explained below:

	31.3.17	Period ended 31.3.16
	£	£
Loss on ordinary activities before tax	<u>(125,530)</u>	<u>(18,873)</u>
Loss on ordinary activities multiplied by the lower rate of corporation tax in the UK of 20% (2016: 20%)	(25,106)	(3,775)
Effects of:		
Group relief of losses	24,098	-
Expenses not deductible for tax purposes	590	41
Adjustment in respect of prior period	(4,326)	690
Adjust deferred tax to standard CT rate of 20%	21	(44)
Deferred tax not recognised	-	3,932
Current year overprovision	-	2,989
Total tax charge	<u>(4,723)</u>	<u>3,833</u>



**SG SYSTEMS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – continued**  
for the year ended 31 March 2017

**9. TANGIBLE FIXED ASSETS**

	Plant and Machinery £	Fixtures and Fittings £	Office Equipment £	Total £
<b>COST OR VALUATION</b>				
At 1 April 2016	15,430	80,900	52,903	149,233
Additions	-	-	338	338
Disposals	-	-	(1,037)	(1,037)
At 31 March 2017	15,430	80,900	52,204	148,534
<b>DEPRECIATION</b>				
At 1 April 2016	14,937	80,664	43,532	139,133
Charge for the year	123	59	2,188	2,370
At 31 March 2017	15,060	80,723	45,720	141,503
<b>NET BOOK VALUE</b>				
At 31 March 2017	370	177	6,484	7,031
At 31 March 2016	493	236	9,371	10,100

At 31 March 2017, there were no assets subject to hire purchase (2016: nil).

**10. INVENTORY**

	31.3.17 £	31.3.16 £
Finished goods	254,693	195,050

The value of inventory consumed and recognised as an expense was £724,113 (2016: £291,910)

# SG SYSTEMS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2017

### 11. TRADE AND OTHER RECEIVABLES

	31.3.17	31.3.16
	£	£
Trade receivables	163,820	131,758
Amounts owed by group undertakings	1,172	1,632
Other receivables, prepayments and accrued income	6,608	10,400
	<u>171,600</u>	<u>143,790</u>

The recoverability of receivables is not considered to be a significant issue to the Company. Many customers have a long standing relationship with SG. A clearly defined procedure for credit control is in place and the level and age of debtors are reviewed on a regular basis by both the company directors and by the board of PHSC plc.

Some of the trade receivables are past due but not impaired as at 31 March 2017. The ageing analysis of these trade receivables is as follows:

	31.3.17	31.3.16
	£	£
Current	126,283	80,078
One month overdue	21,539	49,967
Two to six months overdue	15,998	1,713
Over six months overdue	-	-
	<u>163,820</u>	<u>131,758</u>

As at 31 March 2017 there were no (2016 – nil) trade receivables past due and impaired. The receivables due at the end of the financial year relate to trading customers.

### 12. TRADE AND OTHER PAYABLES

	31.3.17	31.3.16
	£	£
Trade payables	70,997	100,989
Bank loans and overdrafts	228,223	-
Amount owed to group undertakings	4,540	6,662
Social security and other taxes	21,037	36,264
Accrued expenses and deferred income	37,733	46,195
	<u>362,530</u>	<u>190,110</u>

Shortly after the acquisition of SG by PHSC plc, the Company and the PHSC plc Group entered into an unlimited multilateral guarantee with HSBC plc. This facility is reviewed annually. The Company's balance as at 31 March 2017 was £228,223 overdrawn (2016: 37,494 in credit) within the Group's cash at bank and in hand figure of £206,718 (2016: £256,558).

**SG SYSTEMS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS – continued  
for the year ended 31 March 2017**

**13. OPERATING LEASE COMMITMENTS**

	31.03.17	31.3.16
	Land and buildings £	Land and buildings £
Within one year	20,000	20,000
Between two and five years	35,000	55,000
Total	<u>55,000</u>	<u>75,000</u>

**14. DEFERRED TAXATION**

	31.3.17	31.3.16
	£	£
Deferred taxation asset/(liability)	<u>890</u>	<u>(844)</u>
	Deferred tax £	Deferred tax £
At 1 April 2016	(844)	-
Deferred tax credit/(charge) in year (see note 8)	<u>1,734</u>	<u>(844)</u>
At 31 March 2017	<u>890</u>	<u>(844)</u>

**15. SHARE CAPITAL**

Allotted, issued and fully paid	31.3.17 Number	31.3.17 £	31.3.16 Number	31.3.16 £
"A" Ordinary shares of £1 each	950	950	950	950
"B" Participating preference shares of £1 each	1,334	1,334	1,334	1,334
"C" Non-participating preference shares of £1 each	4	4	4	4
	<u>2,288</u>	<u>2,288</u>	<u>2,288</u>	<u>2,288</u>

# SG SYSTEMS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2017

### 16. RELATED PARTY DISCLOSURES

A management charge is levied by PHSC plc to its subsidiary companies to reflect the central services it provides.

	31.3.17 £	31.3.16 £
Management charge from PHSC plc to SG	<u>12,000</u>	<u>3,645</u>

The inter-company balances between SG and the other companies within the PHSC plc group are summarised below.

	31.3.17 £	31.3.16 £
Amounts owed by group undertakings		
B to B Links Limited	<u>1,172</u>	<u>1,632</u>
Amounts owed to group companies		
B to B Links Limited	536	1,662
PHSC plc	<u>4,004</u>	<u>5,000</u>
	<u>4,540</u>	<u>6,662</u>

### 17. FINANCIAL INSTRUMENTS

Set out below are the company's financial instruments:

#### Financial assets at amortised cost

	31.3.17 £	31.03.16 £
Trade and other receivables	171,600	143,790
Cash and cash equivalents	-	37,494
	<u>171,600</u>	<u>181,284</u>

#### Financial liabilities at amortised cost

	31.3.17 £	31.03.16 £
Bank loans and overdrafts	228,223	-
Trade and other payables	<u>134,307</u>	<u>190,110</u>
	<u>362,530</u>	<u>190,110</u>

	31.3.17 £	31.03.16 £
Due within 1 year	362,530	190,110
Due in over 1 year	-	-
	<u>362,530</u>	<u>190,110</u>

The Company's principal financial instruments comprise cash, short terms borrowings and various items such as trade receivables, trade payables etc. that arise directly from operations. The main purpose of these financial instruments is the funding of the company's trading activities.

The main risks arising from the company's financial instruments are liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous periods.

## **SG SYSTEMS (UK) LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS – continued for the year ended 31 March 2017**

#### **FINANCIAL INSTRUMENTS (continued)**

##### **Liquidity risk**

The Company seeks to manage financial risk by ensuring sufficient liquidity is available from current banking facilities to meet foreseeable needs and to invest cash assets safely and profitably.

##### **Credit risk**

The Company's principal financial assets are cash and trade receivables. The credit risk associated with the cash is limited and the risk of non-payment through credit sales is monitored very closely by the directors.

##### **Fair values**

The fair values of the company's financial instruments are considered not to be materially different to their book value.

##### **Foreign currency exchange risk**

The Company uses a number of different methods in protecting margins against foreign exchange risk. The principal currency traded after sterling is the euro.

#### **18. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The company may be required to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. The principal areas where judgement was exercised are as follows:

Office equipment: the directors annually assess both the residual value of these assets and the expected useful life of such assets which is currently judged to be up to 4 years, based on experience.

Provision for obsolete and slow moving stock: the directors annually assess the stock held for any slow moving or obsolete stock. An annual provision is made for any items where the cost is considered not fully recoverable.

Recoverability of trade debtors: the directors annually assess whether a bad debt provision is required for any bad or doubtful debtor balances.

#### **19. PARENT UNDERTAKING**

PHSC plc, incorporated in the UK, is the ultimate parent company of the group. There is no ultimate controlling party but Ms N C Coote, deputy group chief executive, owns 21.42% (2016: Mr S A King, 24.68%) of the issued share capital of PHSC plc. The parent company operates within the UK and its accounts may be obtained from the same registered office address as noted on page 1 of these accounts.