Acoustic Sensing Technology (UK) Ltd

Directors' Report and Financial Statements

Registered Number 08301004

31 December 2014

Company Information

Directors:	R Hodgetts R J Long H S West
Registered Office:	The Innovation Centre Sci-Tech Keckwick Lane Daresbury nr. Warrington Cheshire WA4 4FS
Registered Number:	08301004 (England and Wales)
Accountants:	KPMG LLP 15 Canada Square London E14 5GL
Auditors:	Saffery Champness Chartered Accountants & Statutory Auditors City Tower Piccadilly Plaza Manchester M1 4BT

Directors' Report

The directors present their directors' report and financial statements of the year ended 31 December 2014.

Principal activity
The principal activity of the company in the year under review was the development, production and supply of acoustic scanning technology.

Going concern
The Company's business activities, together with factors likely to affect its future performance, have been carefully reviewed by the Company's Board and a detailed cash flow and 3-year forecast have been prepared. The forecast has been prepared subject to sensitivity, and scenario analysis, and is reviewed on a monthly basis. There are 3 key possible contracts in the forecast which have a material impact on the forecast, and whilst the Directors have a reasonable expectation of these contracts being secured, they are not currently confirmed. The Company has had discussions with its main funders, about future borrowing, and post-balance sheet date, this was secured. The Company's Directors have a reasonable expectation that the Company has available to it, reasonable resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the "going concern" basis of accounting in preparing the annual financial statements.

Results and dividends
The loss for the year was £574,462 (2013: £411,746). The directors have not recommended the payment of an ordinary dividend.

Directors
The directors who held office during the year were as follows:

N J Hawkins - retired 16 October 2014
R Hodgetts
R J Long
H S West
M Bakewell - appointed 16 January 2015

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 year.

Directors' Report
(continued)

Directors' responsibilities *(continued)*

In preparing these financial statements, the directors are required to:

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

The directors have taken advantage of the small companies exemption provided by section 414B of the Companies Act 2006 not to provide a Strategic Report.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

These financial statements have been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they each are aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Auditor

Saffery Champness was appointed as auditor during the year, Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Saffery Champness will continue office.

Signed by order of the board

H S West
Director
11 JULY 2015

The Innovation Centre
Sci-Tech
Keckwick Lane
Daresbury
Cheshire
WA4 4FS

Independent Auditor's report to the members of Acoustic Sensing Technology (UK) Ltd

We have audited the financial statements of Acoustic Sensing Technology (UK) Ltd for the year ended 31 December 2014 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 12. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' responsibilities statement set out on page 2, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors 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.

Emphasis of matter

We draw attention to note 1.3 to these financial statements which describes the uncertainty relating to the going concern basis of accounting. Our opinion is not qualified in respect of this matter.

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 December 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's report to the members of Acoustic Sensing Technology (UK) Ltd *(continued)*

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, 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; or
- the directors were not entitled to take advantage of the small companies' exemption in not preparing the Strategic Report.

Simon Kite BSc FCA (Senior Statutory Auditor)

For and on behalf of Saffery Champness
Statutory Auditors
City Tower
Piccadilly Plaza
Manchester
M1 4BT

24th June 2015

Profit and loss account

Year ended 31 December 2014

	Note	2014 £	2013 £
Turnover		**169,561**	139,666
Cost of sales		**(65,443)**	(47,468)
Gross profit		**104,118**	92,198
Administrative expenses		**(686,900)**	(526,816)
Other income		**2,375**	1,925
Operating loss	*2*	**(580,407)**	(432,693)
Interest receivable		**317**	947
Loss on ordinary activities before taxation		**(580,090)**	(431,746)
Tax on loss on ordinary activities	*5*	**5,628**	20,000
Loss for the financial year	*11*	**(574,462)**	(411,746)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

The notes on pages 8 to 13 form part of these financial statements.

Balance Sheet
At 31 December 2014

	Note	2014 £	£	2013 £	£
Fixed Assets					
Tangible assets	6		**9,090**		14,692
Current Assets					
Stock		**45,021**		36,871	
Debtors	7	**13,776**		41,868	
Cash at bank		**344,261**		166,050	
		403,058		244,789	
Creditors					
Amount falling due within one year	8	**(142,032)**		(14,903)	
Net Current Assets			**261,026**		229,886
Creditors					
Amounts falling due after more than one year	9		**(600,000)**		-
Net Assets			**(329,884)**		244,578
Capital and Reserves					
Called up share capital	*10*		**11,480**		11,480
Share premium	*11*		**644,844**		644,844
Profit and loss account	*11*		**(986,208)**		(411,746)
Shareholders' Funds			**(329,884)**		244,578

The notes on pages 8-13 form part of these financial statements.

Approved by the Board of directors and authorised for issue on 11th June 2015 by:

H S West - Director
Company Registration No: 08301004

Notes
(Forming part of the financial statements)

1 Accounting Policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

1.2 Compliance with accounting standards

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

1.3 Going concern

The Company's business activities, together with factors likely to affect its future performance, have been carefully reviewed by the Company's Board and a detailed cash flow and 3-year forecast have been prepared.

The forecast has been prepared subject to sensitivity, and scenario analysis, and is reviewed on a monthly basis. There are 3 key possible contracts in the forecast which have a material impact on the forecast, and whilst the Directors have a reasonable expectation of these contracts being secured, they are not currently confirmed.

The Company has had discussions with its main funders, about future borrowing, and post-balance sheet date, this was secured.

The Company's Directors have a reasonable expectation that the Company has available to it, reasonable resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the "going concern" basis of accounting in preparing the annual financial statements.

1.4 Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

1.5 Fixed assets

All fixed assets are initially recorded at cost.

1.6 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of the asset as follows:

Computer Equipment	33% on cost
Fixture & Fittings	33% on cost

1.7 Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Accounting policies
(Continued)

1.8 Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the year of the lease.

1.9 Financial instruments

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

Where the contractual obligations of financial instrument (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of the share capital do not have any terms meeting the definition of a financial liability then this is classed as equity instrument. Dividends and distributions relating to equity instrument are debited direct to equity.

2 Operating loss

	2014	2013
	£	£
Operating loss is stated after charging:		
Depreciation	**6,233**	3,533
Auditors' remuneration	**5,500**	3,200

3 Remuneration of Directors

	2014	2013
	£	£
Directors' remuneration	**179,200**	140,966

Notes
(Continued)

4 Other operating income

	2014	2013
	£	£
Other operating income from trials	**2,375**	1,925

5 Taxation

	2014	2013
	£	£
UK corporation tax		
Current tax on income for the year	**-**	-
Adjustment in respect of prior year	**5,628**	-
Total current tax	**5,628**	-

Factors affecting the tax charge for the current year

	2014	2013
	£	£
Current tax reconciliation		
Loss on ordinary activities before taxation	**(580,090)**	(431,746)
Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20%	**(116,018)**	(86,349)
Effects of:		
Expenses not deductible for tax purposes	**3,197**	985
Depreciation in excess of capital allowances	**1,121**	(2,938)
R&D additional expenses	**-**	22,488
Losses carried forward	**111,700**	65814
	116,018	86,349
Current tax charge	**-**	-

The company has estimated losses of £885,572 (2013: £329,068) available to carry forward against future trading losses.

The company has not recognised a deferred tax asset in these financial statements in respect of losses generated in the year as it is uncertain at this stage that there will be a future taxable profit against which these losses can be utilised.

Notes
(Continued)

6 Tangible Fixed Assets

	Fixture & Fittings	Computer Equipment etc	Total
	£	£	£
Cost			
At 1 January 2013	**1,208**	**17,017**	**18,225**
Additions	**631**	**-**	**631**
31 December 2014	**1,839**	**17,017**	**18,856**
Depreciation			
At 1 January 2013	**262**	**3,271**	**3,533**
Charge for year	**560**	**5,673**	**6,233**
At 31 December 2014	**822**	**8,944**	**9,766**
Net Book Value			
At 31 December 2013	946	13,746	14,692
At 31 December 2014	**1,017**	**8,073**	**9,090**

7 Debtors

	2014	2013
	£	£
Directors loan account	**-**	957
Corporation tax repayable	**-**	20,000
Other debtors	**5,251**	20,911
Prepayments	**5,688**	-
Trade debtor	**2,837**	-
	13,776	41,868

Notes
(Continued)

8 Creditors: Amounts falling due within one year

	2014 £	2013 £
Social security and taxes	9,462	1,310
Other creditors	-	-
Trade creditors	39,836	-
Deferred Income	70,446	-
Accruals	22,289	13,593
	142,032	14,903

9 Creditors: Amounts falling due more than one year

	2014 £	2013 £
Loans	600,000	-
	600,000	-

During the year the company issued secured convertible fixed rate loan notes. The loan notes are secured by way of a debenture grant to the lender. Interest is charged at the rate of 1% per annum. Note holders are also entitled to a share of operating profit. The loan notes are redeemable on 31 December 2017.

10 Called up Share Capital

Allotted, issued and fully paid:

	2014 £	2013 £
63,333 Ordinary shares of £0.10 each	6,333	6,333
51,464 A ordinary shares of £0.10 each	5,146	5,146
	11,480	11,480

Both classes of ordinary shares rank equally in terms of voting rights and on any winding up of the company. Dividends are declared separately for each class of shares.

Notes
(Continued)

11 Reserves

	Share premium	Profit & loss	Called up share capital	Totals
	£	£	£	£
At the beginning of the year	644,844	(411,746)	11,480	244,578
Deficit for the year	-	(574,462)	-	(574,462)
Proceed from cash share issue	-	-	-	-
At 31 December 2014	**644,844**	**(986,208)**	**11,480**	**(329,884)**

12 Related party transactions

The company was not under the control of any one party during the year.

Transactions requiring disclosure are as follows:

Various other companies were found in which the directors also acted as director.
The accounting records were reviewed and no transactions were found with these companies other than the following:

At 31 December 2014, £8,750 was due to EQ Limited for non-executive directors fees. H West is a director of this company.

At 31 December 2013 £957 was due to Acoustic Sensing Technology from N Hawkins, (director), this was repaid in February 2014.

At 31 December 2014 there were no amounts owing to or from directors of the company.

From our discussions with management and a review of expenditure the following transactions were also identified:

Company	**Relationship**	**Transaction**
University of Bradford	Shareholder	Monitoring fee of £1,000 per month charged
350 Investment Partners LLP	Investor	Monitoring fee of £1,000 per month charged
Kirrill Horoshenkov	Shareholder	Consultancy charges of £1,250 in year
NWF (Energy and Environmental Technologies) LP	Shareholder	Holder of £600,000 convertible loan notes with interest of £2,197 payable in the year, the borrowing is in relation to the debenture which NWFEE have over the assets.