

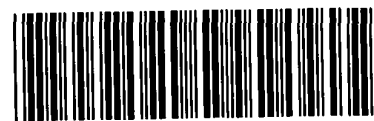
Company Registration No. 08301004 (England and Wales)

Acoustic Sensing Technology (UK) Ltd

**Financial statements
for the year ended 31 December 2017**

Pages for filing with the Registrar

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Acoustic Sensing Technology (UK) Ltd

Company information

Directors	Russell Hodgetts Harvey West
Company number	08301004
Registered office	3000 Aviator Way Manchester Greater Manchester England M22 5TG
Independent auditors	Saffery Champness LLP City Tower Piccadilly Plaza Manchester M1 4BT

Acoustic Sensing Technology (UK) Ltd

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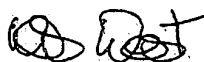
Acoustic Sensing Technology (UK) Ltd**Balance sheet****As at 31 December 2017**

	Notes	£	2017 £	£	2016 £
Fixed assets					
Tangible assets	4		8,812		37,416
Current assets					
Stocks		23,357		16,458	
Debtors	5	162,183		177,820	
Cash at bank and in hand		204,736		254,714	
		<u>390,276</u>		<u>448,992</u>	
Creditors: amounts falling due within one year	6	<u>(1,382,784)</u>		<u>(1,345,349)</u>	
Net current liabilities			(992,508)		(896,357)
Total assets less current liabilities			<u>(983,696)</u>		<u>(858,941)</u>
Capital and reserves					
Called up share capital	7		11,480		11,480
Share premium account	8		644,844		644,844
Profit and loss reserves	9		(1,640,020)		(1,515,265)
Total equity			<u>(983,696)</u>		<u>(858,941)</u>

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 28.03.2018 and are signed on its behalf by:



Harvey West
Director

Company Registration No. 08301004

1 Accounting policies

Company information

Acoustic Sensing Technology (UK) Ltd is a private company limited by shares incorporated in England and Wales. The registered office is 3000 Aviator Way, Manchester, Greater Manchester, England, M22 5TG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

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

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

1.2 Going concern

These financial statements are prepared on the going concern basis. 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 forecast have been prepared. The forecast has been prepared subject to sensitivity, and scenario analysis, and is reviewed on a monthly basis.

Conversations with potential investors are ongoing, and have been held post the balance sheet date.

The company has convertible loan notes for £1,300,000 in total which were repayable to the North West Fund by 31 December 2017. The North West Fund have confirmed in writing that they will not seek repayment of the secured convertible loan notes, any earlier than twelve months from 1 April 2018.

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

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. Turnover is recognised when the service is provided.

1.4 Tangible fixed assets

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

1 Accounting policies (continued)

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

Fixtures and fittings	33% straight line
Computers	33% straight line

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

1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.6 Stocks

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

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

1 Accounting policies (continued)

1.7 Cash at bank and in hand

Cash at bank and in hand are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.8 Financial instruments

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

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

1 Accounting policies (continued)

1.9 Equity instruments

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

1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.11 Employee benefits

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

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

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

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Acoustic Sensing Technology (UK) Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

1 Accounting policies (continued)

1.13 Leases

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

1.14 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 10 (2016 - 8).

3 Directors' remuneration

	2017	2016
	£	£
Remuneration paid to directors	95,800	96,380
	<u> </u>	<u> </u>

Acoustic Sensing Technology (UK) Ltd

Notes to the financial statements (continued)
For the year ended 31 December 2017

4 Tangible fixed assets

	Assets under construction £	Plant and machinery etc £	Total £
Cost			
At 1 January 2017	28,500	29,509	58,009
Additions	-	5,278	5,278
Disposals	-	(17,077)	(17,077)
Written off to profit and loss account	(28,500)	-	(28,500)
At 31 December 2017	-	17,710	17,710
Depreciation and impairment			
At 1 January 2017	-	20,593	20,593
Depreciation charged in the year	-	5,382	5,382
Eliminated in respect of disposals	-	(17,077)	(17,077)
At 31 December 2017	-	8,898	8,898
Carrying amount			
At 31 December 2017	-	8,812	8,812
At 31 December 2016	28,500	8,916	37,416

5 Debtors

	2017 £	2016 £
Amounts falling due within one year:		
Trade debtors	61,576	62,484
Corporation tax recoverable	87,353	98,816
Other debtors	13,254	16,520
	162,183	177,820

Acoustic Sensing Technology (UK) Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

6 Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	23,703	15,925
Other taxation and social security	12,257	3,702
Other creditors	1,346,824	1,325,722
	<u>1,382,784</u>	<u>1,345,349</u>

Included within other creditors is £1,300,000 (2016: £1,300,000) of secured convertible fixed rate loan notes which were redeemable on 31 December 2017. The loan notes are secured by way of a debenture grant to the lender. Interest is charged at 1% per annum. Note holders are entitled to a share of operating profit. As set out in note 1.2, subsequent to the year end the note holders have confirmed in writing that they will not seek repayment of the loan notes, any earlier than twelve months from 1 April 2018.

In the event that the company issues new equity as part of a re-financing of the company, any outstanding loan notes plus unpaid interest shall, at the option of the loan notes holder, be converted into equity at a conversion price equal to 75% of the price per share paid by the subscribers of the new equity.

7 Called up share capital

	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
63,333 Ordinary shares of 10p each	6,333	6,333
51,464 A Ordinary shares of 10p each	5,147	5,147
	<u>11,480</u>	<u>11,480</u>

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

8 Share premium account

Share premium account represents amounts paid for the shares above par value.

9 Profit and loss reserves

Profit and loss reserves represents accumulated losses for the current and prior years and any dividends paid.

Acoustic Sensing Technology (UK) Ltd

Notes to the financial statements (continued)

For the year ended 31 December 2017

10 Operating lease commitments

Lessee

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

	2017	2016
	£	£
	2,568	7,200
	<u> </u>	<u> </u>

11 Related party transactions

Transactions with related parties

The following transactions are all with entities who do not have control or significant influence over the company.

Investment monitoring fees of £27,000 (2016: £30,000), consultancy fees of £21,346 (2016: £47,304) and loan interest of £12,893 (2016: £12,814).

The following amounts were outstanding at the reporting end date:

	2017	2016
	£	£
Amounts owed to related parties		
Other related parties	1,333,188	1,319,649
	<u> </u>	<u> </u>

12 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditors' report was unqualified.

Emphasis of matter

The financial statements have been prepared assuming that the company will continue as a going concern. The company has recurring losses and net current liabilities. The directors have addressed these concerns in Note 1.2 to the financial statements. Our opinion is not modified with respect to this matter.

The senior statutory auditor was Simon Kite BSc FCA.

The auditor was Saffery Champness LLP.