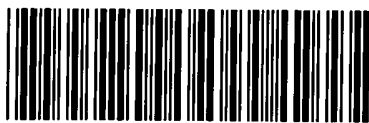


COBACO HOLDINGS LIMITED
ANNUAL REPORT AND CONSOLIDATED
FINANCIAL STATEMENTS
REGISTERED NUMBER 08317210
30 APRIL 2017

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for the Year Ended 30 April 2017

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COMPANY INFORMATION
for the Year Ended 30 April 2017

DIRECTORS:

R N Ball
G C Cooper
G Hepburn
G Gould
J Clarke (Appointed 15 March 2018)
C Wright (Resigned 15 March 2018)
S M Beard (Resigned 15 May 2017)
M Clegg (Resigned 1 November 2017)
P D Shipley (Resigned 30 November 2017)

REGISTERED OFFICE:

Cobaco House
North Florida Road
Haydock Industrial Estate
Merseyside
WA11 9TP

REGISTERED NUMBER:

08317210 (England and Wales)

AUDITOR:

KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

BANKERS:

Yorkshire Bank
1st Floor, The Chancery
58 Spring Gardens
Manchester
M2 1YB

SOLICITORS:

DLA Piper
1 St Peter's Square
Manchester
M2 3AE

STRATEGIC REPORT for the Year Ended 30 April 2017

The group presents its Strategic Report for the year ended 30 April 2017.

Principal activities

The group is principally involved in the design, manufacture, installation, service and sales of security bollards used in perimeter protection and related systems.

Business review

The directors are satisfied with the improvement in the financial performance of the Group in 2017 which saw an increase in turnover and a reduction in operating loss. Significant growth was achieved across all of our key regions and markets, in particular the Middle East which has seen an increase in activity and is delivering a strong pipe line of opportunities. We now believe that the business is well placed to achieve further growth in 2018 and beyond.

Research and development has remained a key priority of the business and we have continued to develop a number of new innovative products which have been introduced to the market in 2017/18. The development of our new Surfaceguard product and the subsequent launch in 2017 has enable the Company to access new markets and customers. Interest continues to grow in the Surfaceguard product and is continuing to grow the pipeline with new opportunities. We are confident that this continued investment will contribute strongly to the future success of the business.

The directors have identified a number of adjustments that should have been recognised in the accounts in prior years, details of which are contained in note 24.

Key performance indicators

The board monitors its performance by reference to a number of key performance indicators ("KPIs") of which the most important are:

| Financial KPI's | 2017 | 2016 (restated, see note 24) |
|--|--------|------------------------------|
| Turnover | £15.6m | £11.6m |
| Gross margin (excluding exceptional stock provision) | 25.4% | 23.4% |
| EBITDA (pre-exceptionals) | £1.1m | £0.1m |
| Operating loss | £0.8m | £1.2m |

The board also monitors performance by reference to certain "non-financial KPIs". These include the review of staff numbers and customer satisfaction.

Future outlook

2017 saw an increase in the number of vehicle borne terror attacks and globally, terror threat levels remain high. We anticipate that this environment will result in increased demand for our high security products and services in the coming years.

We have continued to invest in new product development, with a focus on temporary event security, which has developed into a growing market in 2018 and has allowed the business to benefit from new revenue streams. Our pipeline of quoted future work continues to grow and we are confident that further sales and profit growth can be achieved in 2019 and beyond.

We remain committed to our employees, customer and suppliers and are focussed on maintaining sustainable long-term relationships with our stakeholders.

Strategic Report (continued)

Principal risks and uncertainties

The principal financial risks that the group faces are associated with our ability to monitor and manage:

Cash flow

The group has certain transactions in foreign currencies but is not exposed to any material risks relating to exchange fluctuations. Cobaco Holdings Limited shares an overdraft facility with a number of other associated undertakings which operate within the agreed facility. The group's exposure to interest rate movements is not considered material and hence it is not believed to be necessary to hedge against interest rates.

Credit risk

The group's principal financial asset is in amounts recoverable on contracts and trade debtors. The credit risk is limited by an exposure to a number of major customers on whom either credit reports are obtained or whose annual accounts are regularly reviewed. Where credit risk is considered to be higher than acceptable, payment must be provided in advance.

The group controls these risks in a number of ways. The group is highly selective in the type of work that it tenders for in terms of the project size, location, complexity and contract duration. These criteria are examined for each project and are specific to them to ensure that their capabilities are used to best effect. The group specialises in certain types of building and civil engineering projects in line with the areas where we have proven expertise. A rigid risk management process is in place throughout the tender and project execution process. A delegation of authority system is in place with the requirement for contracts/orders over a certain level to be approved by the Managing Director and Finance Director.

Liquidity risk

The group regularly forecasts cashflows annually and over the following quarter on a rolling basis to ensure it can manage within the facilities available.

The cash facility available to the group and all its associated undertakings have been compared to their likely credit requirements over the next 12 months, from the date of signing these financial statements and are deemed to be adequate.

In August 2017 the company entered into a £5 million loan with Yorkshire Bank

Price risk

The group is exposed to a price risk arising on its raw materials; it attempts to manage its exposure by matching price movements with selling prices achieved on its finished products.

Compliance risk

We operate in a number of overseas markets with different levels of commercial risk. A compliance approval process is in place to help manage this risk.

By order of the board



G C Cooper - Director
9th May 2018

Cobaco House
North Florida Road
Haydock Industrial Estate
Merseyside
WA11 9TP

DIRECTORS' REPORT
for the Year Ended 30 April 2017

The directors present their report with the financial statements of the company and the group for the year ended 30 April 2017.

DIVIDENDS

No dividends will be distributed for the year ended 30 April 2017 (2016: £nil).

DIRECTORS

The directors shown below have held office during the whole of the period from 1 May 2016 to the date of this report.

R N Ball
G C Cooper
G Gould
G Hepburn

J Clarke was appointed as a director on 15 March 2018.

The directors shown below held office during the period 1 May 2016 to 30 April 2017:

S M Beard Resigned 15 May 2017
M Clegg Resigned 1 November 2017
P D Shipley Resigned 30 November 2017
C Wright Resigned 15 March 2018

RESEARCH AND DEVELOPMENT

The group continues to invest in research and development, in order to continually bring new and innovative products to the market.

EMPLOYEES

Regular meetings are held involving directors, managers and supervisory staff to convey information to employees regarding group and company performance and other factors affecting the business. The group is committed to the processes that have led to it achieving Investors in People Status.

The group's policy is, wherever practicable, to encourage and assist the employment of disabled people, having regard to the nature of the work and their disability.

DONATIONS

Charitable donations of £535 (2016: £1,671) were made during the year. No political donations were made during the year (2016: £nil).

DISCLOSURE OF INFORMATION TO AUDITOR

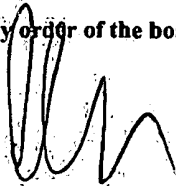
The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself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

Directors' report (continued)

AUDITOR

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

A handwritten signature in black ink, appearing to be 'G C Cooper', written over the text 'By order of the board'.

G C Cooper - Director
9th May 2018

Cobaco House
North Florida Road
Haydock Industrial Estate
Merseyside
WA11 9TP

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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 statements for each financial year. Under that law they have elected to prepare the group and parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 group and parent company and of the profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departure 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 parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent 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 group and to prevent and detect fraud and other irregularities.



KPMG LLP
One St Peters Square
Manchester
M2 3AE
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COBACO HOLDINGS LIMITED

We have audited the financial statements of Cobaco Holdings for the year ended 30 April 2017 set out on pages 9 to 32. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 6, 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.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 April 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with UK 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 is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:


- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF COBACO HOLDINGS LIMITED (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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.



Liam Finnigan (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

11 May 2018

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
for the Year Ended 30 April 2017

| | Notes | 2017 £ | 2016 (restated, see note 24) £ |
|--|-------|--------------|-----------------------------------|
| REVENUE | 2 | 15,645,140 | 11,575,182 |
| Cost of sales excluding exceptional stock provision | | (11,681,324) | (8,871,903) |
| Stock provision | | (237,554) | - |
| Cost of sales | | (11,918,878) | (8,871,903) |
| GROSS PROFIT | | 3,726,262 | 2,703,279 |
| Administrative expenses | | (4,565,585) | (3,916,817) |
| OPERATING PROFIT/ (LOSS) BEFORE EXCEPTIONALS | | 27,322 | (1,013,174) |
| Exceptional items | 5 | (866,645) | (200,364) |
| OPERATING LOSS | 4 | (839,323) | (1,213,538) |
| Interest payable and similar charges | 6 | (2,403,573) | (2,192,939) |
| LOSS BEFORE TAXATION | | (3,242,896) | (3,406,477) |
| Tax on loss | 7 | 60,683 | 102,632 |
| LOSS FOR THE FINANCIAL YEAR | | (3,182,213) | (3,303,845) |
| OTHER COMPREHENSIVE INCOME/(EXPENSE) | | | |
| Exchange rate differences | | 9,156 | (16,054) |
| TOTAL COMPREHENSIVE LOSS FOR THE FINANCIAL YEAR FOR THE GROUP | | (3,173,057) | (3,319,899) |

All results for the current and preceding year are derived from continuing operations.

The notes on pages 15 to 32 form part of the financial statements.

CONSOLIDATED BALANCE SHEET

As at 30 April 2017

| | Notes | 2017 £ | 2016 (restated, see note 24) £ |
|--|-------|----------------------------|-----------------------------------|
| FIXED ASSETS | | | |
| Intangible assets | 8 | 10,696,921 | 11,801,581 |
| Tangible assets | 9 | 354,147 | 372,269 |
| | | 11,051,068 | 12,173,850 |
| CURRENT ASSETS | | | |
| Stocks | 11 | 1,747,280 | 1,619,603 |
| Debtors | 12 | 3,940,210 | 4,409,645 |
| Cash at bank and in hand | 13 | 1,073,100 | 6,029,248 |
| | | 6,760,590 | |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | <u>(18,049,800)</u> | <u>(14,272,539)</u> |
| NET CURRENT LIABILITIES | | (11,289,210) | (8,243,291) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | (238,142) | 3,930,559 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 15 | (10,623,225) | (11,583,225) |
| PROVISIONS FOR LIABILITIES | 19 | <u>(85,681)</u> | <u>(121,325)</u> |
| NET LIABILITIES | | <u>(10,947,048)</u> | <u>(7,773,991)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 20 | 132,588 | 132,588 |
| Share premium | | 1,699,255 | 1,699,255 |
| Foreign currency reserve | | (48,460) | (57,616) |
| Profit and loss account | | <u>(12,730,431)</u> | <u>(9,548,218)</u> |
| SHAREHOLDERS' DEFICIT | | <u>(10,947,048)</u> | <u>(7,773,991)</u> |

The financial statements were approved by the Board of Directors on 9 May 2018 and were signed on its behalf by:


G C Cooper
Director

The notes on pages 15 to 32 form part of these financial statements.

COMPANY BALANCE SHEET

As at 30 April 2017

| | Notes | 2017 £ | 2016 (restated, see note 24) £ |
|--|-------|---------------------|-----------------------------------|
| FIXED ASSETS | | | |
| Investments | 10 | 17,945,381 | 17,945,381 |
| CURRENT ASSETS | | | |
| Debtors | 12 | 550,411 | 1,390,820 |
| CREDITORS | | | |
| Amounts falling due within one year | 14 | <u>(10,846,242)</u> | <u>(8,232,206)</u> |
| NET CURRENT LIABILITIES | | <u>(10,295,831)</u> | <u>(6,841,386)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 7,649,550 | 11,103,995 |
| CREDITORS | | | |
| Amounts falling due after more than one year | 15 | <u>(10,623,225)</u> | <u>(11,583,225)</u> |
| NET LIABILITIES | | <u>(2,973,675)</u> | <u>(479,230)</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 20 | 132,588 | 132,588 |
| Share premium | | 1,699,255 | 1,699,255 |
| Profit and loss account | | <u>(4,805,518)</u> | <u>(2,311,073)</u> |
| SHAREHOLDERS' DEFICIT | | <u>(2,973,675)</u> | <u>(479,230)</u> |

The financial statements were approved by the Board of Directors on 9 May 2018 and were signed on its behalf by:


G C Cooper
Director

The notes on pages 15 to 32 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 April 2017

| | Called up share capital | Share premium account | Foreign currency reserve | Profit and loss account | Total equity |
|--|------------------------------------|--------------------------------------|---|------------------------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Balance at 30 April 2015 as previously reported | 124,333 | 1,738,684 | (41,562) | (3,530,594) | (1,709,139) |
| Effect of error in previously reported results (Note 24) | - | - | - | (2,753,208) | (2,753,208) |
| Balance at 30 April 2015 as restated | 124,333 | 1,738,684 | (41,562) | (6,283,802) | (4,462,347) |
| Total comprehensive income for the year (restated, note 24) | | | (16,054) | (3,303,845) | (3,319,899) |
| Issue of shares | 8,255 | - | - | - | 8,255 |
| Transfer (restated, note 24) | - | (39,429) | - | 39,429 | - |
| Balance as at 30 April 2016 as restated | 132,588 | 1,699,255 | (57,616) | (9,548,218) | (7,773,991) |

| | Called up share capital | Share premium account | Foreign currency reserve | Profit and loss account | Total equity |
|--|------------------------------------|--------------------------------------|---|------------------------------------|---------------------|
| | £ | £ | £ | £ | £ |
| Balance at 1 May 2016 as restated | 132,588 | 1,699,255 | (57,616) | (9,548,218) | (7,773,991) |
| Loss for the year | - | - | - | (3,182,213) | (3,182,213) |
| Other comprehensive income for the year | - | - | 9,156 | - | 9,156 |
| Total comprehensive income for the year | | | 9,156 | (3,182,213) | (3,173,057) |
| Balance as at 30 April 2017 | 132,588 | 1,699,255 | (48,460) | (12,730,431) | (10,947,048) |

The notes on pages 15 to 32 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
for the Year Ended 30 April 2017

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|--|------------------------------------|--------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ | £ |
| Balance at 1 May 2015 | 124,333 | 1,738,684 | (2,032,592) | (169,575) |
| Total comprehensive loss for the year | - | - | (278,481) | (278,481) |
| Transactions with owners, recorded directly in equity | | | | |
| Issue of shares | 8,255 | - | - | 8,255 |
| Transfer (restated, note 24) | - | (39,429) | - | (39,429) |
| Total contributions by and distributions to owners | 8,255 | (39,429) | - | (31,174) |
| Balance as at 30 April 2016 | 132,588 | 1,699,255 | (2,311,073) | (479,230) |

| | Called up share capital | Share premium account | Profit and loss account | Total equity |
|---------------------------------------|------------------------------------|--------------------------------------|------------------------------------|---------------------|
| | £ | £ | £ | £ |
| Balance at 1 May 2016 | 132,588 | 1,699,255 | (2,311,073) | (479,230) |
| Total comprehensive loss for the year | - | - | (2,494,445) | (2,494,445) |
| Balance as at 30 April 2017 | 132,588 | 1,699,255 | (4,805,518) | (2,973,675) |

The notes on pages 15 to 32 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 30 April 2017

| | <i>Note</i> | 2017 £ | 2016 (restated, see note 24) £ |
|---|-------------|------------------|--------------------------------------|
| Cash flows from operating activities | | | |
| Loss for the year | | (3,182,213) | (3,303,845) |
| Adjustments for: | | | |
| Depreciation, amortisation and impairment | | 1,380,918 | 1,066,844 |
| Interest payable and similar charges | | 2,403,573 | 2,192,939 |
| Foreign exchange gain | | (9,156) | (29,534) |
| Taxation | | (60,683) | (102,632) |
| Decrease/ (Increase) in trade and other debtors | | 493,996 | (2,108,706) |
| (Increase)/ Decrease in stocks | | (127,677) | 529,593 |
| Increase in trade and other creditors | | 653,076 | 1,812,357 |
| Net cash generated from operating activities | | 1,551,834 | 57,016 |
| Cash flows from investing activities | | | |
| Proceeds from sale of tangible fixed assets | | - | 2,587 |
| Acquisition of tangible fixed assets | 9 | (38,576) | (31,601) |
| Acquisition of other intangible fixed assets | 8 | (190,198) | (517,733) |
| Net cash used in investing activities | | (228,774) | (546,747) |
| Cash flows from financing activities | | | |
| Proceeds from new loan | | - | 150,000 |
| Proceeds from issue of share capital | | - | 8,255 |
| Net cash from investing activities | | - | 158,255 |
| Net increase/ (decrease) in cash and cash equivalents | | 1,323,060 | (331,476) |
| Cash and cash equivalents at 1 May | | (249,960) | 81,516 |
| Cash and cash equivalents at 30 April | 13 | 1,073,100 | (249,960) |

The notes on pages 15 to 32 form part of these financial statements.

NOTES

(forming part of the Financial statements)

1. Accounting policies

Cobaco Holdings Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 "*The Financial Reporting Standard*" applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling.

The parent company is included in the consolidated financial statements, and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12. The following exemptions available under FRS 102 in respect of certain disclosures for the parent company financial statements have been applied:

- The reconciliation of the number of shares outstanding from the beginning to the end of the period has not been included a second time; and
- No separate parent company Cash Flow Statement with related notes is included.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

1.1 Measurement convention

The financial statements are prepared on the historical cost basis.

1.2 Going concern

The directors are required to assess whether the Group has adequate resources to continue in operational existence for the foreseeable future. The directors have considered the future profitability of the Group and its ability to continue as a going concern and have prepared profit and cash flow forecasts for the following 12 month period. Also, the directors have obtained an undertaking from LDC (Managers) Ltd, its shareholders and loan providers (excluding repayments due under the term loan agreement with Yorkshire Bank entered into in August 2017) that amounts due to them will not be repayable until at least 12 months from the date of the financial statements, unless the Group has sufficient resources to repay the debt during the year. Based on this, the directors are satisfied that, for the foreseeable future and at least 12 months from the date of signing these accounts, the Group can meet its projected working capital requirements and consequently, the financial statements have been prepared on a going concern basis.

1.3 Basis of consolidation

The consolidated financial statements include the results of Cobaco Holdings Limited and its subsidiary undertakings drawn up to 30 April 2017. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in the consolidated profit and loss account from the date that control commences until the date that control ceases. Control is established when the Company has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

Under section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

In the parent financial statements, investments in subsidiaries are carried at cost less impairment.

1.4 Critical Accounting Policies

Impairment of goodwill

Goodwill, which is set out in note 8, of £10.1m (2016: £10.8m) is tested annually for any permanent impairment in accordance with the accounting policy in note 1.10. The value in use of the Group's cash generating units (CGU) requires assumptions about future levels of demand, gross margins and cost inflation. Inherent uncertainty involved in

NOTES (continued)

1.4 Critical Accounting Policies(continued)

Impairment of goodwill (continued)

forecasting and discounting cash flows is a key area of judgement. If indicators of impairment exist the carrying value of goodwill is compared to its recoverable amount which represents the higher of the net present value of the CGU's forecast cash flow and its carrying value. The assessment also includes sensitivity analysis to identify the range of outcomes and the validity of underlying assumptions.

Revenue

Revenue is set out in note 2. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, the amount of revenue can be measured reliably and recovery of the consideration probable. The timing of the transfer of risks and rewards will vary depending on the terms of the sales agreement, the evaluation of the specific risks associated with the performance of the contract (for example design, construction, and testing) or generally accepted practice where there are no specific arrangements in the contract. Areas of judgement relate to construction contract accounting and specifically estimating the stage of completion and forecast outturn of the contract.

1.5 Dividends on shares presented within shareholders' funds

Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

1.6 Foreign currency

Transactions in foreign currencies are translated into the Group companies' functional currency at the rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

1.7 Classification of financial instruments issued by the group

In accordance with FRS 102.22, financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the company; and
- (b) where the instrument will or may be settled in the company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

NOTES (continued)

1.8 Basic financial instruments

Trade and other debtors / creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

1.9 Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

The company assesses at each reporting date whether tangible fixed assets are impaired.

Depreciation is charged to the profit and loss account on a reducing balance basis over the estimated useful lives of each part of an item of tangible fixed assets. The rates used are as follows:

| | |
|--------------------------|---|
| Improvements to property | - 10% on reducing balance |
| Plant and machinery | - 20% on reducing balance |
| Fixtures and fittings | - 33% on reducing balance and 20% on reducing balance |
| Motor vehicles | - 33% on reducing balance and 25% on reducing balance |

1.10 Intangible assets and goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses. Goodwill is allocated to cash-generating units or group of cash-generating units that are expected to benefit from the synergies of the business combination from which it arose.

Research and development

Expenditure on development activities may be capitalised if the product or process is technically and commercially feasible and the Company intends and has the technical ability and sufficient resources to complete development, future economic benefits are probable and if the Company can measure reliably the expenditure attributable to the intangible asset during its development.

Development activities involve design for, construction or testing of the production of new or substantially improved products or processes. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit and loss account as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and less accumulated impairment losses.

Amortisation

Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets. Intangible assets are amortised from the date they are available for use. The estimated useful lives are as follows:

Patents and trademarks - 20 years
Capitalised development costs - 4 years

NOTES (continued)

1.10 Intangible assets and goodwill (continued)

Goodwill is amortised on a straight-line basis over its useful life. Goodwill has no residual value. The finite useful life of goodwill is estimated to be 20 years.

The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

Goodwill and other intangible assets are tested for impairment in accordance with Section 27 Impairment of assets when there is an indication that goodwill or an intangible asset may be impaired.

1.10 Exceptional items

Items that are material in size and/or non-recurring in nature are presented as exceptional items in the profit and loss account. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include restructuring of businesses, changes to business processes, gains or losses on the disposal or impairment of assets and other significant non-recurring gains or losses.

1.11 Construction contract debtors

Construction contract debtors represent the gross unbilled amount for contract work performed to date. They are measured based on the value of work performed in the year (see the turnover accounting policy) less a provision for foreseeable losses and less progress billings. Variations are included in contract revenue when they are reliably measurable and it is probable that the customer will approve the variation itself and the revenue arising from the variation. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Company's contract activities based on normal operating capacity.

Construction contract debtors are presented as part of debtors in the balance sheet. If payments received from customers exceed the income recognised, then the difference is presented as accruals and deferred income in the balance sheet.

1.12 Stocks

Stocks are stated at the lower of cost and estimated net realisable value. Cost is based on the weighted average principle and includes expenditure incurred in acquiring the stocks, production or conversion costs and other costs in bringing them to their existing location and condition. Work in progress and finished goods are stated at the cost of direct materials and labour.

1.13 Revenue

Revenue represents the net invoice value of goods sold and services provided, excluding value added tax.

In respect of long-term contracts and contracts for on-going services, revenue represents the value of work done in the year, including estimates of amounts not invoiced recognised by reference to the stage of completion.

1.14 Impairment excluding stocks and deferred tax assets

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

NOTES (continued)

1.14 Impairment excluding stocks and deferred tax assets

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets, other than investment property, stocks and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units, or ("CGU") that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or if it has been integrated then the entire entity into which it has been integrated.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis. An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.15 Expenses

Operating leases

Payments (excluding costs for services and insurance) made under operating leases are recognised in the profit and loss account on a straight-line basis over the term of the lease unless the payments to the lessor are structured to increase in line with expected general inflation; in which case the payments related to the structured increases are recognised as incurred. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total lease expense.

Interest receivable and Interest payable

Interest payable and similar charges include interest payable, finance charges on shares classified as liabilities and finance leases recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy).

Other interest receivable and similar income include interest receivable on funds invested and net foreign exchange gains. Interest income and interest payable are recognised in profit or loss as they accrue, using the effective interest method. Foreign currency gains and losses are reported on a net basis.

NOTES (continued)

1.16 Employee benefits

Defined contribution plans and other long-term employee benefits

A defined contribution plan is a post-employment benefit plan under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by employees.

1.17 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

NOTES (continued)

2. REVENUE

The revenue and loss before taxation are attributable to the principal activities of the group, being the design, manufacture, installation, service and sales of security bollards used in perimeter protection and related systems.

An analysis of revenue by activity and geographical market is given below:

By activity:

| | 2017 | 2016 (restated, see note 24) |
|-----------------------|-------------------|---------------------------------|
| | £ | £ |
| Sale of goods | 13,563,654 | 9,641,364 |
| Rendering of services | 1,817,632 | 1,707,676 |
| Royalties | <u>263,854</u> | <u>226,142</u> |
| | <u>15,645,140</u> | <u>11,575,182</u> |

By geographical market:

| | 2017 | 2016 (restated, see note 24) |
|----------------|-------------------|---------------------------------|
| | £ | £ |
| United Kingdom | 8,271,598 | 6,075,465 |
| Rest of World | <u>7,373,542</u> | <u>5,499,717</u> |
| | <u>15,645,140</u> | <u>11,575,182</u> |

3. STAFF COSTS

| | 2017 | 2016 |
|-----------------------|------------------|------------------|
| | £ | £ |
| Wages and salaries | 3,197,077 | 2,429,147 |
| Social security costs | 367,001 | 337,252 |
| Other pension costs | <u>107,970</u> | <u>108,822</u> |
| | <u>3,672,048</u> | <u>2,875,221</u> |

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

| | 2017 | 2016 |
|-------------------------------|-----------|-----------|
| | No. | No. |
| Administration | 39 | 38 |
| Sales, service and production | <u>33</u> | <u>28</u> |
| | <u>72</u> | <u>66</u> |

Included in the above are Research and Development salaries, which have been capitalised in Development Costs, amounting to £96,986 (2016: £176,425).

NOTES (continued)

4. OPERATING LOSS

The operating loss is stated after charging/(crediting):

| | 2017 | 2016 (restated, see note 24) |
|--|----------------|---------------------------------|
| | £ | £ |
| Equipment hire | 6,722 | 36,626 |
| Vehicle leasing | 146,685 | 144,511 |
| Depreciation - owned assets | 56,698 | 59,006 |
| Loss on disposal of fixed assets | - | 2,587 |
| Goodwill amortisation | 643,336 | 620,184 |
| Consultancy | 100,207 | 94,338 |
| Patents and licences amortisation | 11,461 | 10,698 |
| Development costs amortisation | 304,005 | 356,880 |
| Auditors' remuneration: | | |
| Audit of the financial statements | 25,000 | 22,500 |
| Audit of subsidiaries | 5,000 | 5,000 |
| Taxation compliance services provided by the auditor | 31,804 | 41,771 |
| Impairment of intangible assets | <u>365,418</u> | <u>-</u> |
| | 2017 | 2016 |
| | £ | £ |
| Directors' remuneration | 438,347 | 419,998 |
| Directors' pension contributions to money purchase schemes | <u>17,951</u> | <u>17,596</u> |
| | <u>456,298</u> | <u>437,594</u> |

5. EXCEPTIONAL ITEMS

The exceptional costs incurred during the year relate to consultancy services, aborted acquisition costs, a debtor issue, impairment of intangible assets and a stock write off.

| | 2017 | 2016 |
|---------------------------------|----------------|----------------|
| | £ | £ |
| Restructuring costs | - | 56,331 |
| Aborted acquisition costs | 122,055 | 88,363 |
| Consultancy costs | 36,309 | 55,670 |
| Impairment of intangible assets | 365,418 | - |
| Stock provision | 237,554 | - |
| Debtor issue | <u>105,309</u> | <u>-</u> |
| | <u>866,645</u> | <u>200,364</u> |

During the year, £237,554 was recognised as an expense in cost of sales in respect of stock provisions (2016: £0).

NOTES (continued)

6. INTEREST PAYABLE AND SIMILAR CHARGES

| | 2017 £ | 2016 £ |
|---------------------------|------------------|------------------|
| Loan notes | 2,402,024 | 2,191,390 |
| Preference share dividend | 1,549 | 1,549 |
| | <u>2,403,573</u> | <u>2,192,939</u> |

7. TAXATION

Total tax expense recognised in the profit and loss account, other comprehensive income and equity

| | 2017 £ | 2016 (restated, see note 24) £ |
|---|-----------|--------------------------------------|
| <i>Current tax</i> | | |
| Current tax on income for the period | | |
| Adjustments in respect of prior periods | (25,039) | (66,658) |
| Total current tax | (25,039) | (66,658) |
| <i>Deferred tax (see note 21)</i> | | |
| Current year deferred tax credit | (52,033) | 306 |
| Prior year adjustments to deferred tax | 24,012 | (23,735) |
| Impact of rate change on deferred tax | (7,623) | (12,545) |
| Total deferred tax | (35,644) | (35,974) |
| Total tax | (60,683) | (102,632) |

| | 2017 £ | 2016 (restated, see note 24) £ | 2017 £ | 2016 (restated, see note 24) £ | 2017 £ | 2016 (restated, see note 24) £ |
|---------------------------------------|-------------|--------------------------------------|-----------|--------------------------------------|--------------|--------------------------------------|
| | Current tax | Deferred tax | Total tax | Current tax | Deferred tax | Total tax |
| Recognised in Profit and loss account | (25,039) | (35,644) | (60,683) | (66,658) | (35,974) | (102,632) |
| Total tax | (25,039) | (35,644) | (60,683) | (66,658) | (35,974) | (102,632) |

NOTES (continued)

7. TAXATION (continued)

Reconciliation of effective tax rate:

| | 2017 £ | 2016 (restated, see note 24) £ |
|--|-------------|--------------------------------------|
| Loss for the year | (3,182,213) | (3,303,845) |
| Total tax credit | 60,683 | 102,632 |
| Loss excluding taxation | (3,242,896) | (3,406,477) |
| Tax using the UK corporation tax rate of 19.72% (2016:20%) | (639,499) | (681,295) |
| Adjustments to tax charge in respect of previous periods | (1,027) | (90,393) |
| Non-deductible expenses | 529,440 | 492,708 |
| Research and Development enhanced tax relief | (102,544) | (78,000) |
| Short term timing differences | - | 4,277 |
| Deferred tax not recognised on losses | 152,245 | 262,649 |
| Effect of rate changes | 702 | (12,578) |
| Total tax expense included in profit or loss | (60,683) | (102,632) |

Factors that may affect future tax changes

Reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 April 2017 has been calculated based on these rates.

8. INTANGIBLE FIXED ASSETS

Group

| | Goodwill £ | Patents and licenses £ | Development costs £ | Totals £ |
|---------------------------|---------------|------------------------------|---------------------------|-------------|
| COST | | | | |
| At 1 May 2016 | 12,875,472 | 291,295 | 2,365,954 | 15,532,721 |
| Additions | - | 19,246 | 170,952 | 190,198 |
| Exchange differences | 29,362 | - | - | 29,362 |
| At 30 April 2017 | 12,904,834 | 310,541 | 2,536,906 | 15,752,281 |
| AMORTISATION | | | | |
| At 1 May 2016 | 2,069,135 | 92,728 | 1,569,277 | 3,731,140 |
| Amortisation for the year | 643,336 | 11,461 | 304,005 | 958,802 |
| Impairment | 80,000 | - | 285,418 | 365,418 |
| At 30 April 2017 | 2,792,471 | 104,189 | 2,158,700 | 5,055,360 |
| NET BOOK VALUE | | | | |
| At 30 April 2017 | 10,112,363 | 206,352 | 378,206 | 10,696,921 |
| At 30 April 2016 | 10,806,337 | 149,617 | 796,677 | 11,801,581 |

The company holds no intangible assets.

NOTES (continued)

9. TANGIBLE FIXED ASSETS

Group

| | Improvements to property £ | Plant and Machinery £ | Fixtures & fittings £ | Motor vehicles £ | Totals £ |
|-----------------------|----------------------------------|-----------------------------|-----------------------------|------------------------|------------------|
| COST | | | | | |
| At 1 May 2016 | 560,342 | 303,424 | 375,999 | 34,097 | 1,273,862 |
| Additions | 749 | 2,449 | 19,528 | 15,850 | 38,576 |
| At 30 April 2017 | <u>561,091</u> | <u>305,873</u> | <u>395,527</u> | <u>49,947</u> | <u>1,312,438</u> |
| DEPRECIATION | | | | | |
| At 1 May 2016 | 292,193 | 261,474 | 333,307 | 14,619 | 901,593 |
| Charge for the year | 26,852 | 8,617 | 13,115 | 8,114 | 56,698 |
| At 30 April 2017 | <u>319,045</u> | <u>270,091</u> | <u>346,422</u> | <u>22,733</u> | <u>958,291</u> |
| NET BOOK VALUE | | | | | |
| At 30 April 2017 | <u>242,046</u> | <u>35,782</u> | <u>49,105</u> | <u>27,214</u> | <u>354,147</u> |
| At 30 April 2016 | <u>268,149</u> | <u>41,950</u> | <u>42,692</u> | <u>19,478</u> | <u>372,269</u> |

The company holds no tangible assets.

10. FIXED ASSET INVESTMENTS

Company

| | Shares in group undertakings £ |
|---------------------------------------|---|
| COST | |
| At 1 May 2016 and 30 April 2017 | <u>17,945,381</u> |
| Provision | <u>-</u> |
| NET BOOK VALUE | |
| At 30 April 2017 and at 30 April 2016 | <u>17,945,381</u> |

NOTES (continued)

10. FIXED ASSET INVESTMENTS (continued)

The company's investments at the balance sheet date in the share capital of companies include the following:

| Subsidiary | Principal Activity | % Holding | Class Of | Direct/Indirect Holding |
|---|--|-----------|----------|-------------------------|
| Cobaco Limited | Holding company | 100% | Ordinary | Direct |
| ATG Access (Holdings) Limited | Holding company | 100% | Ordinary | Indirect |
| ATG Access Limited | Design, manufacture, installation and servicing of access security posts | 100% | Ordinary | Indirect |
| ATG Access Inc. | Dormant company (incorporated in USA) | 100% | Ordinary | Indirect |
| Cobaco Barriers Limited | Dormant company | 100% | Ordinary | Indirect |
| Vehicle Protection Security Posts Limited | Dormant company | 100% | Ordinary | Indirect |

The financial results of all the subsidiaries are included in the consolidated accounts. The companies above are registered at Cobaco House, North Florida Road Haydock Industrial Estate, Merseyside, WA11 9TP and were all incorporated in England and Wales, with the exception of ATG Access Inc. which is incorporated in the USA.

11. STOCKS

| | Group | |
|-----------------------------|------------------|------------------------------|
| | 2017 | 2016 (restated, see note 24) |
| | £ | £ |
| Raw materials & consumables | 1,707,220 | 1,562,133 |
| Work in Progress | 40,060 | 57,470 |
| | <u>1,747,280</u> | <u>1,619,603</u> |

The Company holds no stock.

12. DEBTORS

| | Group | | Company | |
|---|------------------|------------------------------|----------------|------------------------------|
| | 2017 | 2016 (restated, see note 24) | 2017 | 2016 (restated, see note 24) |
| | £ | £ | £ | £ |
| Amounts falling due within one year: | | | | |
| Trade debtors | 2,570,531 | 3,328,604 | - | 7,533 |
| Amounts recoverable on contracts | 703,775 | 686,310 | - | - |
| Other debtors | 368,711 | 107,575 | 550,411 | 1,330,439 |
| Tax | 35,212 | 10,650 | - | - |
| Prepayments | 261,981 | 276,506 | - | 52,848 |
| | <u>3,940,210</u> | <u>4,409,645</u> | <u>550,411</u> | <u>1,390,820</u> |

NOTES (continued)

13. CASH AND CASH EQUIVALENTS/BANK OVERDRAFTS

| Group | 2017 £ | 2016 £ |
|---|------------------|------------------|
| Cash at bank and in hand | 1,073,100 | |
| Bank overdrafts (presented in creditors, see note 14) | | (249,960) |
| Cash and cash equivalents per cash flow statements | <u>1,073,100</u> | <u>(249,960)</u> |

The Company holds no cash.

14. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | Group | | Company | |
|---------------------------------|-------------------|------------------------------------|-------------------|------------------------------------|
| | 2017 | 2016 (restated, see note 24) | 2017 | 2016 (restated, see note 24) |
| | £ | £ | £ | £ |
| Trade creditors | 2,577,890 | 2,756,405 | 7,533 | - |
| Social security and other taxes | 249,983 | 72,042 | - | - |
| Accrued expenses | 745,303 | 2,610,057 | 18,703 | 13,417 |
| Amounts deferred on contract | 3,656,618 | 365,286 | - | - |
| Bank overdraft | - | 249,960 | - | - |
| Accrued interest on loan notes | 6,020,006 | 4,378,789 | 6,020,006 | 4,378,789 |
| Loan notes | 4,800,000 | 3,840,000 | 4,800,000 | 3,840,000 |
| | <u>18,049,800</u> | <u>14,272,539</u> | <u>10,846,242</u> | <u>8,232,206</u> |

15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | Group | | Company | |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Loan Notes | 10,600,001 | 11,560,001 | 10,600,001 | 11,560,001 |
| Preference Shares | 23,224 | 23,224 | 23,224 | 23,224 |
| | <u>10,623,225</u> | <u>11,583,225</u> | <u>10,623,225</u> | <u>11,583,225</u> |

16. LOANS

An analysis of the maturity of loans is given below:

| | Group | | Company | |
|---|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Amounts falling due within one year or on demand: | 4,800,000 | 3,840,000 | 4,800,000 | 3,840,000 |
| Amounts falling due between one and two years: | <u>10,600,001</u> | <u>960,000</u> | <u>10,600,001</u> | <u>960,000</u> |
| Amounts falling due between two and five years: | <u>-</u> | <u>10,600,001</u> | <u>-</u> | <u>10,600,001</u> |
| In more than five years | <u>23,224</u> | <u>23,224</u> | <u>23,224</u> | <u>23,224</u> |
| | <u>23,224</u> | <u>23,224</u> | <u>23,224</u> | <u>23,224</u> |

NOTES (continued)

16. LOANS (continued)

The loan notes have contractual quarterly repayments of the principal amount commencing in April 2015. The directors have obtained an undertaking from LDC (Managers) Ltd, its shareholders and loan providers (excluding repayments due under the term loan agreement with Yorkshire Bank entered into in August 2017) that agreement amounts due to them will not be repayable until at least 12 months from the date of the financial statements, unless the Group has sufficient resources to repay the debt during the year. The full residual balance of the loan notes is redeemable at par in February 2019 by the holders.

The loan notes carry fixed interest at the basic rate of 11% per annum, payable quarterly in arrears.

Details of shares shown as liabilities are as follows:

Allotted, issued and fully paid:

| | 2017 | 2016 |
|-------------------------------------|---------------|---------------|
| | £ | £ |
| 23,224 Preference shares of £1 each | <u>23,224</u> | <u>23,224</u> |

The preference shares carry a fixed preferential dividend at a rate of 5% per annum being paid up on the nominal value of each preference share. The preference dividend accrues from the date of issue to redemption and is paid in arrears immediately prior to a sale or listing or earlier as determined by the directors.

On a winding-up, the holders have priority before all other classes of shares to receive repayment of capital plus any arrears of dividend. The holders have no voting rights.

17. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

Group

| | Land and buildings | | Other operating leases | |
|----------------------------|---------------------------|----------------|-------------------------------|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Within one year | 106,280 | 86,000 | 159,696 | 159,538 |
| Between one and five years | 398,572 | 344,000 | 212,009 | 302,267 |
| In more than five years | 131,750 | 207,833 | - | - |
| | <u>636,602</u> | <u>637,833</u> | <u>371,705</u> | <u>461,805</u> |

During the year, £281,181 was recognised as an expense in the profit and loss account in respect of operating lease (2016: £243,626).

NOTES (continued)

18. SECURED DEBTS

The following secured debts are included within creditors:

| | Group | | Company | |
|------------|-------------------|-------------------|-------------------|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | £ | £ | £ | £ |
| Loan notes | <u>15,400,001</u> | <u>15,400,001</u> | <u>15,400,001</u> | <u>15,400,001</u> |

The loan notes are secured by way of a debenture, fixed and floating charge over the assets, present and future, of the company and all its subsidiaries.

In August 2017 the company entered into a £5m loan facility with Yorkshire Bank.

19. PROVISIONS FOR LIABILITIES

| | Group | |
|---|---------------|---------------------|
| | 2017 | 2016 |
| | £ | £ |
| Deferred tax | <u>85,681</u> | <u>121,325</u> |
| Group | | |
| | | Deferred tax |
| | | £ |
| Balance at 1 May 2016 | | 121,325 |
| Credit to profit and loss account during year | | <u>(35,644)</u> |
| Balance at 30 April 2017 | | <u>85,681</u> |

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

| | 2017 | 2016 |
|--|----------------|----------------|
| | £ | £ |
| 2,000,000 A Ordinary shares of 2p each | 40,000 | 40,000 |
| 1,529,412 B Ordinary shares of 5p each | 76,471 | 76,471 |
| 117,648 C Ordinary shares of 5p each | 5,882 | 5,882 |
| 235,294 D Ordinary shares of 0.1p each | 235 | 235 |
| 200,000 E Ordinary shares of 5p each | <u>10,000</u> | <u>10,000</u> |
| | <u>132,588</u> | <u>132,588</u> |

The share classes rank pari passu in all respects.

NOTES (continued)

21. PENSION COMMITMENTS

The group operates a defined contribution pension scheme. The scheme is managed by independent fund managers and its assets/liabilities are held separately from that of the company/group.

The pension charge represents the amount paid by the group and amounted to £107,970 (2016 - £108,822) in the year.

22. RELATED PARTY DISCLOSURES

There is a composite guarantee between the company and its subsidiary companies Cobaco Limited, ATG Access (Holdings) Limited and ATG Access Limited with regard to a bank loan facility with Natwest during the year

G C Cooper

A director of the company.

During the year loan notes held by G C Cooper of £1,517,106 accrued interest at a basic rate of 11% amounting to £166,882. At 30 April 2017, interest of £617,615 (2016 - £455,600) remained outstanding, £126,118 of which is additional penalty interest at a basic rate of 15%.

R N Ball

A director of the company:

During the year loan notes held by R N Ball of £832,895 accrued interest at a basic rate of 11% amounting to £91,618, at 30 April 2017, interest of £326,177 (2016: £237,080) remained outstanding, £65,270 of which is additional penalty interest at a basic rate of 15%.

M Clegg

A director of the company (now resigned)

During the year loan notes held by M Clegg of £75,000 accrued interest at a basic rate of 11% amounting to £8,250. At 30 April 2017, interest of £14,883 (2016: £6,726) remained outstanding, £1,612 of which is additional penalty interest at a basic rate of 15%.

S Beard

A director of the company (now resigned)

During the year loan notes held by S Beard of £75,000 accrued interest at a basic rate of 11% amounting to £8,250. At 30 April 2017, interest of £14,883 (2016: £6,726) remained outstanding, £1,612 of which is additional penalty interest at a basic rate of 15%.

Trustees of Alderwell Ltd SSAS

An entity under the control of Mr G C Cooper, a director of the group, in which Mr G C Cooper is also a beneficiary.

During the year the group was charged rent of £90,798 (2016 - £86,000).

Alderwell Limited

A company under the control of Mrs H Cooper, the wife of Mr G C Cooper.

During the year the group was charged consultancy fees of £100,207 (2016 - £100,137).

LDC II LP

A significant shareholder and investor in the group, with representatives, G Gould and C Wright, as non-executive Board members during the year.

NOTES (continued)

22. RELATED PARTY DISCLOSURES (continued)

During the year loan notes held by LDC II LP of £12,900,000 accrued interest at a basic rate of 11% amounting to £1,419,000. At 30 April 2017, interest of £5,046,487 (2016 - £3,672,660) remained outstanding, £1,011,334 of which is additional penalty interest at a basic rate of 15%.

23. ULTIMATE CONTROLLING PARTY

The company is under the ultimate control of the board of directors of Cobaco Holdings Limited, the company's ultimate parent company.

24. RESTATEMENT OF PREVIOUSLY REPORTED RESULTS

The directors have identified a number of adjustments that should have been recognised in the accounts previously as explained below:

- On a cumulative basis as at 30 April 2016 revenue of £5.1m and costs of £0.8m have been erroneously recognised in advance of the goods and services being provided under the company's revenue recognition policy as at 30 April 2016. Similarly as at 30 April 2015, revenue of £4.2m and costs of £1.3m have been recognised in advance of the goods and services being provided under the company's revenue recognition policy. As a result revenue in the year ended 30 April 2016 was overstated by £0.9m, cost of sales was understated by £0.5m and hence profit for the year was overstated by £1.4m. These errors have resulted in net assets at 30 April 2016 being overstated by £4.3m, the reduction is reflected in Amounts recoverable on contracts.
- Separately accruals for costs incurred in the year ended 30 April 2016 totalling £0.1m were not made. As a result profit for the year and net assets have been overstated by £0.1m, impacting accruals.
- Share premium for the group was incorrectly stated as an error in accounting overstated share premium and retained profit by £39k as at 30 April 2016. The correction reduced the share premium account and increased retained profits by the same amount.
- The tax effect of the adjustments summarised above was taken into account resulting in a reduction in both the originally stated tax payable at 30 April 2016 and originally stated taxation liability for the year ended 30 April 2016 of £38k.
- As a result of the above adjustments, net assets in the restated accounts as at 30 April 2016 reduced by £4.4m with the corresponding offset in retained earnings.

As a result of the above adjustments the originally reported loss for the year ended 30 April 2016 of £1.8m was increased by £1.4m to a loss of £3.3m. The impact of the adjustments on each line is summarised below:

NOTES (continued)

24. RESTATEMENT OF PREVIOUSLY REPORTED RESULTS (continued)

30-Apr-16

Balance Sheet

| | As Reported 2016 £ | Adjustment 2016 £ | Restated 2016 £ |
|--------------------------------------|--------------------------|-------------------------|-----------------------|
| Current assets | | | |
| Stocks | 1,432,856 | 186,747 | 1,619,603 |
| Amounts recoverable on contracts | 5,005,267 | (4,318,957) | 686,310 |
| Current liabilities | | | |
| Accrued expenses and other creditors | (6,929,496) | (59,350) | (6,988,846) |
| Amounts deferred on contracts | (299,748) | (65,538) | (365,286) |
| Corporation tax | (27,449) | 38,099 | 10,650 |
| Net liabilities | (3,554,992) | (4,218,999) | (7,773,991) |
| Share premium | (1,738,684) | 39,429 | (1,699,255) |
| Retained earnings | <u>(5,368,648)</u> | <u>(4,179,570)</u> | <u>(9,548,218)</u> |

Income statement

| | As Reported 2016 £ | Adjustment 2016 £ | Restated 2016 £ |
|-------------------------|--------------------------|-------------------------|-----------------------|
| Sales | 12,467,238 | (892,056) | 11,575,182 |
| Cost of sales | (8,319,419) | (552,484) | (8,871,903) |
| Administrative expenses | (3,926,522) | 9,705 | (3,916,817) |
| Interest | (2,123,884) | (69,055) | (2,192,939) |
| Taxation | 64,533 | 38,099 | 102,632 |
| Loss | <u>(1,838,054)</u> | <u>(1,465,791)</u> | <u>(3,303,845)</u> |

30-Apr-15

Balance Sheet

| | As Reported 2015 £ | Adjustment 2015 £ | Restated 2015 £ |
|----------------------------------|--------------------------|-------------------------|-----------------------|
| Current assets | | | |
| Stocks | 1,480,444 | 777,394 | 2,257,838 |
| Amounts recoverable on contracts | 3,719,037 | (3,502,803) | 216,234 |
| Current liabilities | | | |
| Deferred income and costs | (4,367,535) | (27,799) | (4,395,334) |
| Net liabilities | (1,709,139) | (2,753,208) | (4,462,347) |
| Retained earnings | <u>(3,530,594)</u> | <u>(2,753,208)</u> | <u>(6,283,802)</u> |