

Sesanti Limited

Directors' Report and Financial Statements

Year Ended

31 December 2017

Company Number 08666509

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Sesanti Limited

Company Information

Directors	A V Kyle-Henney P T Kyle-Henney L J Sturges K E Sturges A J Bates C P S Mill S D Rood
Registered number	08666509
Registered office	Lambda House Fairground Industrial Estate Weyhill Andover Hampshire SP11 0ST
Independent auditors	BDO LLP Arcadia House Maritime Walk Ocean Village Southampton SO14 3TL

Sesanti Limited

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Sesanti Limited

Directors' Report For the Year Ended 31 December 2017

The directors present their report and the financial statements for the year ended 31 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £772,317 (2016 - £557,645).

As our five year strategy unfolds we see another year of strong profits with taxed profits up 38% in an environment where we see our competitor's margins being eroded due to pricing pressures. The distribution agreement with Canon brings a new market sector in the broadcast world. Here we aim to exploit our wealth of knowledge of high definition remotely controlled cameras and harsh environment operation, to aid production companies deliver programmes in more arduous climates and reduce their costs at sporting events and reality shows.

In 2014 we recognised that the lower end military and commercial technology markets were converging. As government budgets are constrained, the ability to procure truly bespoke solutions is becoming less viable with the inevitable consequence that, for some programmes, commercial specification equipment is being purchased. Our development and co-operation agreements with a number of key commercial suppliers have enabled us to modify volume commercial parts. Military customers see the cost benefits in a process known as Modified Commercial Off The Shelf (MCOTS); this opens up much bigger worldwide military markets for our products.

However, the improvement in profit this year is not due to volume growth; rather the traction that has been gained from the advanced optical systems which are now delivering from our research programmes. Our overseas business development strategy to date has been to subcontract into UK blue chip companies. Whilst we recognise these as UK sales, around 50% of production this year has been for end users outside of the UK. As we move forward, we shall sell directly to overseas governments as a prime contractor.

The opportunities within the UK MoD remain very strong but many programmes have been delayed or restructured this year. We presently have more than £50M of UK MoD opportunity for which we have been down selected to bid in the coming 14 months. Both financial and scheduling issues within government programmes are not isolated to the UK, and we have seen similar issues in Europe.

Whilst we maintain a continual process of strengthening our balance sheet, our mid-term strategy is the relentless pursuit of developing the world's best electro-optic systems. We have maintained our development focus throughout the year, building on last year's success with new cutting edge FPGA based hardware and optical integration. This has led to two patent applications, one for true military requirements and the other applicable to a wider market: both providing a significant technical edge for the company. The pace of development has enabled us to bring forward our blue sky research aspirations and this will accelerate our 10 year growth plans.

The significant investment in high performance electro-optics for oil and gas, coastal and border surveillance reported last year has paid dividends with the sale of a number of our latest advanced ATEX compliant multispectral systems. These rival even the best military grade products of a couple of years ago.

We are pleased to report that the building expansion programme was completed on schedule in readiness for the projected capacity requirements. The team is driven to deliver the product evolution strategy throughout 2018 and enable us to be well positioned to meet our future expansion goals.

Sesanti Limited

Directors' Report (continued) For the Year Ended 31 December 2017

Directors

The directors who served during the year were:

A V Kyle-Henney
P T Kyle-Henney
L J Sturges
K E Sturges
A J Bates
C P S Mill
S D Rood

Disclosure of information to auditors

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on 25 May 2018 and signed on its behalf.



A V Kyle-Henney
Director

Sesanti Limited

Directors' Responsibilities Statement For the Year Ended 31 December 2017

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 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 company and of the profit or loss of the company for that period.

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

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Sesanti Limited

Independent Auditors' Report to the Members of Sesanti Limited

Opinion

We have audited the financial statements of Sesanti Limited ("the Company") for the year ended 31 December 2017 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2017 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Sesanti Limited

Independent Auditors' Report to the Members of Sesanti Limited (continued)

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Sesanti Limited

Independent Auditors' Report to the Members of Sesanti Limited (continued)

Auditor's responsibilities for the audit of the financial statements

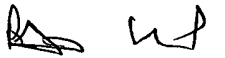
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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.



Christopher Driver (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Southampton
United Kingdom

25 May 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Sesanti Limited

Statement of Comprehensive Income For the Year Ended 31 December 2017

	Note	2017 £	2016 £
Turnover	4	4,959,457	4,047,352
Cost of sales		(2,989,219)	(2,515,583)
Gross profit		1,970,238	1,531,769
Administrative expenses		(959,486)	(951,441)
Operating profit	5	1,010,752	580,328
Interest receivable and similar income	8	17,242	21,130
Interest payable and similar charges	9	(173,500)	(180,743)
Profit before tax		854,494	420,715
Tax on profit	10	(82,177)	136,930
Profit for the financial year		772,317	557,645

There were no recognised gains and losses for 2017 or 2016 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2017 (2016:£NIL).

The notes on pages 11 to 24 form part of these financial statements.

Sesanti Limited
Registered number: 08666509

Statement of Financial Position
As at 31 December 2017

	Note	2017 £	2017 £	2016 £	2016 £
Fixed assets					
Intangible assets	11		(360,692)		(465,446)
Tangible assets	12		283,429		340,290
			<u>(77,263)</u>		<u>(125,156)</u>
Current assets					
Stocks and work in progress	13	1,105,531		1,307,183	
Debtors: amounts falling due within one year	14	1,853,555		1,078,685	
Bank and cash balances		4,637,743		4,059,305	
		<u>7,596,829</u>		<u>6,445,173</u>	
Creditors: amounts falling due within one year	15	(2,210,006)		(1,859,823)	
Net current assets			<u>5,386,823</u>		<u>4,585,350</u>
Total assets less current liabilities			<u>5,309,560</u>		<u>4,460,194</u>
Provisions for liabilities					
Deferred tax	16	(23,215)		(10,574)	
Other provisions	17	(380,247)		(315,839)	
			<u>(403,462)</u>		<u>(326,413)</u>
Net assets			<u><u>4,906,098</u></u>		<u><u>4,133,781</u></u>

Sesanti Limited
Registered number: 08666509

Statement of Financial Position (continued)
As at 31 December 2017

	Note	2017 £	2016 £
Capital and reserves			
Called up share capital	18	700	700
Profit and loss account	19	4,905,398	4,133,081
		<u>4,906,098</u>	<u>4,133,781</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 25 May 2018.

A V Kyle-Henney
Director



The notes on pages 11 to 24 form part of these financial statements.

Sesanti Limited

Statement of Changes in Equity For the Year Ended 31 December 2017

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2017	700	4,133,081	4,133,781
Comprehensive income for the year			
Profit for the year	-	772,317	772,317
Total comprehensive income for the year	-	772,317	772,317
Total transactions with owners	-	-	-
At 31 December 2017	700	4,905,398	4,906,098

Statement of Changes in Equity For the Year Ended 31 December 2016

	Called up share capital £	Profit and loss account £	Total equity £
At 1 January 2016	700	3,575,436	3,576,136
Comprehensive income for the year			
Profit for the year	-	557,645	557,645
Total comprehensive income for the year	-	557,645	557,645
Total transactions with owners	-	-	-
At 31 December 2016	700	4,133,081	4,133,781

The notes on pages 11 to 24 form part of these financial statements.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

1. General information

Sesanti Limited is a company limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Revenue

Turnover represents sales to external customers at invoiced amounts less value added tax or local taxes on sales. It is recognised when products or services are supplied, except in respect of long term contracts, where turnover represents the sales value of work done in the year. This is calculated by recognising the contract sales value based on the proportion of work completed on the contract as a whole at the statement of financial position date. Profit is recognised on an individual contract basis based on the expected final margin to be achieved. Losses expected on long term contracts are charged to the statement of comprehensive income in full as soon as they are foreseen.

2.3 Intangible assets

Goodwill

Goodwill arising on an acquisition of a trade is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. Positive goodwill is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life of 5 years. Negative goodwill is capitalised and amortised through the profit and loss account over the period that the economic benefit of the non-monetary assets (stock and fixed assets) is received.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost or fair value of assets acquired less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 20% straight line
Fixtures and fittings	- 20% straight line
Computer equipment	- 20% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

2.5 Stocks

Stocks are stated at the lower of cost or fair value of assets acquired and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the statement of comprehensive income.

2.6 Cash at bank and in hand

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents included in cash at bank and in hand are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.7 Financial instruments

The company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans from related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of comprehensive income.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.8 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.9 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Operating leases: the company as lessee

Rentals paid under operating leases are charged to the statement of comprehensive income on a straight line basis over the lease term.

2.11 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the company in independently administered funds.

2.12 Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which is accrued at the statement of financial position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

2.13 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

2. Accounting policies (continued)

2.14 Warranty provision

Provisions for the expected cost of warranty obligations under the contract terms are recognised at the date of sale of each item of equipment, at the Directors' best estimate of the expenditure required to settle the company's obligation.

2.15 Share based payments

The company has taken advantage of the optional exemption available on transition to FRS 102 under section 35.10(b). As a result, all equity instruments granted before 1 January 2016 are exempt from the application of section 26 of FRS 102 ("Share Based Payments").

2.16 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

3. Judgments in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgments:

- Determine whether leases entered into by the company either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- Determine whether there are indicators of impairment of the company's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

Other key sources of estimation uncertainty

- Intangible fixed assets (see note 11)

Positive goodwill and other intangibles are amortised over their estimated useful economic life of 5 years. The actual lives of the assets are assessed annually and may vary depending on a number of factors.

- Tangible fixed assets (see note 12)

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- Warranty provision (see note 17)

Provisions for the expected cost of warranty obligations are recognised at the date of sale based on the directors' best estimate of the expenditure required to settle the company's obligation. *There is inherent uncertainty in making an estimate of the provision required.*

4. Turnover

Turnover is solely attributable to the principal activity of the company.

The proportion of turnover that is attributable to markets outside the United Kingdom is 4.4% (2016 - 0.4%).

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

5. Operating profit

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

	2017 £	2016 £
Depreciation of tangible fixed assets	151,566	142,809
Amortisation of intangible assets, including goodwill	(104,754)	(81,266)
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	15,900	15,000
Fees payable to the company's auditor for other services	12,800	14,100
Exchange differences	(13,067)	(108,808)
Operating lease charges - land and buildings	119,004	129,075

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2017 £	2016 £
Wages and salaries	1,107,423	1,105,598
Social security costs	115,786	113,771
Cost of defined contribution scheme	37,478	35,019
	1,260,687	1,254,388

The average monthly number of employees, including directors, during the year was 26 (2016 - 26).

7. Directors' remuneration

	2017 £	2016 £
Directors' emoluments	552,134	544,889

During the year retirement benefits were accruing to 3 directors (2016 - 3) in respect of defined contribution pension schemes.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

8. Interest receivable

	2017 £	2016 £
Other interest receivable	17,242	21,130

9. Interest payable and similar charges

	2017 £	2016 £
Other loan interest payable	173,500	180,743

10. Taxation

	2017 £	2016 £
Corporation tax		
Current tax on profits for the year	57,995	(42,520)
Adjustments in respect of previous periods	11,541	(83,438)
	69,536	(125,958)

Deferred tax

Origination and reversal of timing differences	12,641	(11,037)
Adjustments in respect of prior periods	-	65

Total deferred tax	12,641	(10,972)
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Taxation charge/(credit) on profit on ordinary activities	82,177	(136,930)
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Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Profit on ordinary activities before tax	854,494	420,715
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	164,490	84,712
Effects of:		
Fixed assets differences	-	13,589
Expenses not deductible	36,401	11,312
Adjustments in respect of previous periods	11,541	(83,438)
Income not taxable	(35,817)	(32,520)
Additional deduction for R&D expenditure	(100,082)	(130,000)
Other differences	5,644	(585)
Total tax charge for the year	82,177	(136,930)

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

11. Intangible assets

	Other intangible assets £	Purchased goodwill £	Negative goodwill £	Total £
Cost				
At 1 January 2017 and at 31 December 2017	213,000	282,560	(1,631,441)	(1,135,881)
Amortisation				
At 1 January 2017	119,990	202,337	(992,762)	(670,435)
Charge/(credit) for the year	42,600	38,736	(186,090)	(104,754)
At 31 December 2017	162,590	241,073	(1,178,852)	(775,189)
Net book value				
At 31 December 2017	50,410	41,487	(452,589)	(360,692)
At 31 December 2016	93,010	80,223	(638,679)	(465,446)

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

12. Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Computer equipment £	Total £
Cost or valuation				
At 1 January 2017	631,024	6,584	81,012	718,620
Additions	86,091	-	8,614	94,705
At 31 December 2017	717,115	6,584	89,626	813,325
Depreciation				
At 1 January 2017	341,108	3,357	33,865	378,330
Charge for the year on owned assets	132,911	1,323	17,332	151,566
At 31 December 2017	474,019	4,680	51,197	529,896
Net book value				
At 31 December 2017	243,096	1,904	38,429	283,429
At 31 December 2016	289,916	3,227	47,147	340,290

13. Stocks

	2017 £	2016 £
Raw materials and consumables	1,072,239	1,096,641
Work in progress (goods to be sold)	33,292	210,542
	<u>1,105,531</u>	<u>1,307,183</u>

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

14. Debtors

	2017 £	2016 £
Trade debtors	1,663,290	1,027,911
Corporation tax recoverable	-	42,520
Prepayments and accrued income	7,986	8,254
Amounts recoverable on long term contracts	182,279	-
	<u>1,853,555</u>	<u>1,078,685</u>

15. Creditors: Amounts falling due within one year

	2017 £	2016 £
Trade creditors	170,610	58,866
Corporation tax	57,995	-
Other taxation and social security	412,897	192,821
Other creditors	15,289	7,041
Accruals and deferred income	53,215	101,095
Directors' loans	1,500,000	1,500,000
	<u>2,210,006</u>	<u>1,859,823</u>

The unsecured loan notes 2019 are redeemable on demand. Interest is payable quarterly in arrears at a rate of 11% per annum.

16. Deferred taxation

	2017 £
At beginning of year	(10,574)
Charged to profit or loss	(12,641)
At end of year	<u><u>(23,215)</u></u>

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

16. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	2017 £	2016 £
Accelerated capital allowances	23,806	11,646
Sundry timing differences	(591)	(1,072)
	<u>23,215</u>	<u>10,574</u>

17. Provisions

	Other provisions £
At 1 January 2017	315,839
Charged to profit or loss	216,474
Released in the year	(152,066)
At 31 December 2017	<u>380,247</u>

18. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
700,000 ordinary shares of £0.01 each	<u>700</u>	<u>700</u>

In addition to the 700,000 shares noted above, an additional 300,000 have been allotted in relation to the Enterprise Management Incentive Plan options disclosed in note 20.

19. Reserves

The company's reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

20. Share based payments

Equity-settled

On 14 July 2014 the company issued 210,000 Enterprise Management Incentive Plan options. A further 30,000 were issued on 1 September 2014. These options will generally vest 10 years from the grant date at an exercise price of 0.1p per share, although vesting accelerates on a change of control. The options will lapse in the case of termination of employment, except due to the Board exercising its discretion to permit options to be exercised.

21. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The company's employers pension charge amounted to £37,478 (2016 - £35,019). Contributions amounting to £6,212 (2016 - £5,114) were payable to the fund and are included in creditors.

22. Commitments under operating leases

At 31 December 2017 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	<u>51,186</u>	<u>51,186</u>

Sesanti Limited

Notes to the Financial Statements For the Year Ended 31 December 2017

23. Related party transactions

Sesanti Limited is the tenant under a lease agreement with Lambda Developments Limited, a company in which PT Kyle-Henney, KE Sturges and LJ Sturges are shareholders and PT Kyle-Henney and LJ Sturges are directors. During the year, Sesanti Limited paid £119,004 (2016 - £123,307) to Lambda Developments Limited for rent and associated charges. At the year end the balance owed by the company to Lambda Developments Limited was £Nil (2016 - £11,900) with £Nil included in accruals (2016 - £4,207).

During the year, the company made sales to Ramair Limited (a company in which LJ Sturges is a shareholder and director) of £867 (2016 - £569). At the year end the balance owed to the company by Ramair Limited was £Nil (2016 - £Nil).

Loans and transactions concerning directors and officers of the company:

	2017 £	2016 £
PT Kyle-Henney	375,000	375,000
AV Kyle-Henney	375,000	375,000
KE Sturges	375,000	375,000
LJ Sturges	375,000	375,000
AJ Bates	-	11,800
CPS Mill	-	11,800
SD Rood	-	11,800

Included within other creditors are £1,500,000 of unsecured Loan Notes held equally by AV Kyle-Henney, PT Kyle-Henney, KE Sturges and LJ Sturges. During the year, Sesanti Limited paid a total of £165,000 (2016 - £166,840) (gross) interest equally to the four loan note holders. In addition to the Loan Notes, the company had a Revolving Credit Facility (with effect from 6 March 2014) of £250,000 (2016 - £500,000) which it could draw against at any time by giving notice to the facility providers. The facility providers are AV Kyle-Henney and PT Kyle-Henney (2016 - AV Kyle-Henney and PT Kyle-Henney, KE Sturges and LJ Sturges). Interest is payable on this facility and a total of £8,500 (2016 - £13,903) was paid by the company during the year.

Employment related costs of £Nil (2016 - £35,400) was owed in total by the company to AJ Bates, CPS Mill and SD Rood at 31 December 2017.

24. Controlling party

The company is controlled by PT Kyle-Henney, AV Kyle-Henney, KE Sturges and LJ Sturges.