

# Adare SEC Limited

Annual report and  
financial statements

**Year ended 31 October 2017**

*Registered number: 2814431*

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# Adare SEC Limited

## Annual report and financial statements

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# Adare SEC Limited

## Directors and other information

### Directors

B. Crich (resigned 31 January 2018)  
R. Slee  
R. Nevins  
R. Whiteside (resigned 19 December 2017)

### Secretary

Marrons Consultancies Limited

### Registered office

1 Meridian South  
Meridian Business Park  
Leicester  
LE19 1WY

### Solicitors

Walker Morris LLP  
Kings Court  
12 Kings Street  
Leeds  
LS1 1DL

### Principal bankers

HSBC Bank plc  
City Branch  
33 Park Row  
Leeds  
LS1 1LD

### Independent auditors

PricewaterhouseCoopers LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### Registered Number

2814431

# Adare SEC Limited

## Strategic report

The Strategic report for the company for the year ended 31 October 2017 is set out below.

### Principal activities and review of the development of the business

The company is engaged in end-to-end, technology led Essential Communications solutions that enable clients to control cost, quality and efficiency of their printed and electronic communications. The directors believe that the company has had a challenging year with the integration of the Nottingham and Guildford businesses. Turnover fell by 0.5% to £67,713,000 and operating profit before exceptional costs fell by 64% to £1,204,000.

Three of the key performance indicators ('KPIs') used by the directors to monitor the performance of the business are sales and profitability reports, monitoring of cash levels and careful management of aged debtors. These KPIs are reviewed and managed on an ongoing basis by the directors and management team. Furthermore, the directors believe that the company continues to be well placed to meet the opportunities that may arise in the future.

The net assets of the company at the year end were £52,290,000 (2016: £45,464,000)

On the 31 July 2017 a substantial restructuring of the Hamsard 3550 Limited group and businesses occurred which led to the liquidation of Hamsard 3550 Limited. As part of the reorganisation the Adare SEC Limited business was placed into a group headed by a newly established business Adare SEC Holdings Limited, with the fellow trading entity Adare International moving into a newly established sister group headed by Adare International Holdings Limited. As part of the transaction, certain intercompany balance were settled by way of debt forgiveness.

### Principal risks and uncertainties

The directors consider that the principal risks and uncertainties facing the company are as follows:

#### *Economic risk*

- The risk of increased interest rates and or inflation having an adverse impact on served markets; and
- The risk of unrealistic increases in wages or infrastructural costs impacting adversely on competitiveness of the company and its principal customers.

These risks are managed by the use of alternative sourcing of products and services and strict control of costs.

#### *Competition risk*

The directors of the company manage competition risk through close attention to customer service levels.

#### *Financial risk*

The company has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk.

# Adare SEC Limited

## Strategic report (continued)

### Key performance indicators

Key performance indicators which are focused on by management include:

- daily sales/gross profit reports analysed by division, sales person and product;
- daily cash/bank reports;
- monthly management accounts showing divisional trading results, detailed overhead expenses, balance sheet and cash flow reports;
- monthly variance reports analysing sales, gross profit, expenses and cash flow variances; and
- monthly aged debtor reports analysed by division.

Each of these indicators is monitored by management against trading and cash flow budgets which are prepared every six months. The indicators are also monitored against prior periods.

On behalf of the board

R. Slee  
Director



17 May 2018

# Adare SEC Limited

## Directors' report

The directors present their report and the audited financial statements of the company for the year ended 31 October 2017. The company has chosen in accordance with S414c(11) of the Companies Act 2006 to set out in the Strategic report, information that would otherwise be required to be contained in the Director's report.

## Results and dividends

The loss for the financial year after taxation, attributable to shareholders amounted to £4,721,000 (2016: profit £1,684,000). The directors do not recommend the payment of a dividend in respect of the financial year (2016: £Nil).

On 30 June 2017 the company hived up the trade and assets of its trading subsidiary Adare SEC (Nottingham) Limited.

## Directors and their interests

The directors of the company at 31 October 2017 and up to the date of signing the financial statements are as listed on page 1.

On 27 June 2017 R. Slee was appointed a director. On 1 August 2017 C. Parsons resigned as a director. On 10 August 2017 R. Nevins was appointed as a director. On 19 December 2017 R. Whiteside resigned as a director. On 31 January 2018 B. Crich resigned as a director

R. Whiteside, R. Slee and R. Nevins directors of the company's ultimate parent undertaking, Adare SEC Holdings Limited at 31 October 2017. Their interests are disclosed in that company's financial statements.

The interests of the other director and the company secretary in office at 31 October 2017 and 31 October 2016, including interests of their spouses and minor children, in the share capital and loan notes of the company/other group companies were:

<b>Name of director</b>	<b>Name of Company</b>	<b>Description of Instrument</b>	<b>2017 Number</b>	<b>2016 Number</b>
B. Crich	Adare SEC LNC Limited	8% loan notes	455,711	-
	Adare SEC Holdings Limited	£1 B Ordinary Shares	155	-
		£1 C Ordinary Shares	242	-
		£1 D2 Ordinary Shares	420	-
B. Crich	Hamsard 3351 Limited	8% loan notes	-	455,711
	Hamsard 3350 Limited	£1 B Ordinary Shares	-	119
		£1 C Ordinary Shares	-	187
		£1 D2 Ordinary Shares	-	420

There are no other interests requiring disclosure under the Companies Act, 2006.

# Adare SEC Limited

## Directors' report (*continued*)

### Employees

The directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible applications for employment, training, career development and promotion of disabled persons is the same as other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is provided. Consultation with employees and good industrial relations are actively promoted through comprehensive and agreed procedures including

- Quarterly newsletters
- Regular team briefs
- Notice boards
- Regular meetings with the union
- Annual appraisals

These help achieve common awareness of employees in relation to financial and economic factors that affect the performance of the company.

Meetings with the union and team briefings ensure that employees' views can be taken into account in making decisions that likely to affect their interests.

### Disclosure of information to auditors

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 auditors are 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 auditors are aware of that information.

### Independent Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

R. Slee  
Director



17 May 2018

# Adare SEC Limited

## Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

On behalf of the board



R. Slee  
Director



# ***Independent auditors' report to the members of Adare SEC Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Adare SEC Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 October 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and financial statements (the "Annual Report"), which comprise: the balance sheet as at 31 October 2017; the income statement, the statement of comprehensive income, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Independence***

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

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

- 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 October 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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.

#### *Auditors' 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 auditors' 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 on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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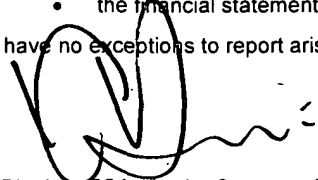
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Ian Plunkett FCA (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
17 May 2018

# Adare SEC Limited

## Income statement

for the year ended 31 October 2017

	Note	2017 £'000	2016 £'000
<b>Revenue</b>	2	<b>67,713</b>	68,054
Cost of sales		(53,852)	(54,510)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>13,861</b>	13,544
Distribution costs		(2,377)	(2,402)
Administrative expenses		(10,280)	(7,574)
Acquisition costs		-	(182)
		<hr/>	<hr/>
<b>Operating profit before exceptional items</b>	3	<b>1,204</b>	3,386
Exceptional items	4	(4,843)	-
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>	3	<b>(3,639)</b>	3,386
Loss on disposal of tangible fixed assets		(2)	(113)
Finance costs	5	(245)	(72)
Finance income	6	-	75
		<hr/>	<hr/>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(3,886)</b>	3,276
Income tax expense on ordinary activities	9	(835)	(1,592)
		<hr/>	<hr/>
<b>(Loss)/profit for the financial year</b>		<b>(4,721)</b>	1,684
		<hr/>	<hr/>

# Adare SEC Limited

## Statement of comprehensive income for the year ended 31 October 2017

	Note	Year ended 31 October 2017 £'000	Year ended 31 October 2016 £'000
(Loss)/profit for the financial year		(4,721)	1,684
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gain/(loss) on post-employment pension schemes	24	733	(3,637)
Movement on deferred tax related to pension deficit		(142)	727
Forgiveness of intercompany debt		10,956	-
Other comprehensive income/(expense) for the year net of tax		<u>11,547</u>	<u>(2,910)</u>
<b>Total comprehensive income/(expense) for the year</b>		<u><u>6,826</u></u>	<u><u>(1,226)</u></u>

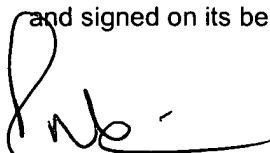
# Adare SEC Limited

## Balance sheet

as at 31 October 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	10	1,147	1,191
Property, plant and equipment	12	11,483	5,147
Investments in subsidiary undertaking	11	-	412
Retirement benefit asset	23	122	-
		<u>12,752</u>	<u>6,750</u>
<b>Current assets</b>			
Inventory	13	2,432	2,288
Trade and other receivables (including £862,000 (2016: £1,951,000) due after more than one year)	14	60,711	62,015
Cash at bank and in hand		897	540
		<u>64,040</u>	<u>64,843</u>
<b>Creditors: amounts falling due within one year</b>	15	<u>(18,624)</u>	<u>(24,695)</u>
<b>Net current assets</b>		<u>45,416</u>	<u>40,148</u>
<b>Total assets less current liabilities</b>		<u>58,169</u>	<u>46,898</u>
<b>Creditors: amounts falling due after more than one year</b>			
Provisions for liabilities	16	(4,370)	-
Retirement benefit liability	23	(1,508)	(78)
	24	-	(1,356)
		<u>52,290</u>	<u>45,464</u>
<b>Net assets</b>		<u>52,290</u>	<u>45,464</u>
<b>Equity</b>			
Called up share capital	19	-	-
Capital reserve	20	896	896
Retained earnings		51,394	44,568
<b>Total shareholders' funds</b>		<u>52,290</u>	<u>45,464</u>

The financial statements on pages 9 to 35 were approved by the board of directors on 17 May 2018 and signed on its behalf by



R. Nevins  
Director

Company registered number 02814431

# Adare SEC Limited

## Statement of changes in equity

For the year ended 31 October 2017

	<b>Called up Share capital £'000</b>	<b>Capital Reserve £'000</b>	<b>Retained earnings £'000</b>	<b>Total shareholders' funds £'000</b>
Balance at 1 November 2015	-	896	45,794	46,690
Profit for the financial year	-	-	1,684	1,684
Other comprehensive expense	-	-	(2,910)	(2,910)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 October 2016	-	896	44,568	45,464
Loss for the financial year	-	-	(4,721)	(4,721)
Other comprehensive income	-	-	11,547	11,547
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 October 2017	-	<b>896</b>	<b>51,394</b>	<b>52,290</b>
	<hr/>	<hr/>	<hr/>	<hr/>

# Adare SEC Limited

## Notes

*forming part of the financial statements*

### 1 Accounting policies

#### General information

The company is a private company and is incorporated and domiciled in the UK.

#### Basis of preparation

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 as applicable to companies using FRS 101. The principal accounting policies applied to the preparation of these financial statements are set out below, and, unless otherwise stated, these policies have been consistently applied to all the periods presented.

FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that must otherwise apply the recognition, measurements and disclosure requirements of EU-adopted IFRS.

The company is a qualifying company for the purposes of FRS 101. Note 27 details the company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures'.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 'Property, plant and equipment';
  - paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d), (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

# Adare SEC Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### Revenue

Revenue represents the fair value of goods excluding Value Added Tax, delivered to or collected by third party customers in the year. Goods are deemed to have been delivered to customers, when the customer has access to the significant benefits inherent in the goods and exposure to the risks inherent in those benefits.

#### Property, plant and equipment

Land and buildings comprises mainly factories and offices. Land and buildings are shown at historic cost or fair value at the date of acquisition, less subsequent depreciation for buildings. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows

Freehold buildings	-	2%
Improvements to freehold buildings	-	4% to 10%
Plant and machinery	-	10% to 20%
Equipment	-	10% to 30%
Additions to leasehold premises	-	5%

Freehold land is not depreciated.

The carrying values of property plant and equipment are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

#### Investments in subsidiaries

Investments in subsidiaries are stated at cost less provision for any permanent diminution in value. Dividend income is recognised when the right to receive payment is established.



# Adare SEC Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### Intangible assets

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three to seven years.

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed seven years.

#### Cash and cash equivalents

In the balance sheet cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

#### Inventory

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at cost less provision for impairment.

# Adare SEC Limited

## Notes *(continued)*

### 1 Accounting policies *(continued)*

#### **Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

#### **Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### **Leasing and hire purchase arrangements**

Assets held under finance leases are capitalised in the balance sheet at their equivalent capital value and are depreciated over the shorter of the lease term and their useful lives. Assets held under hire purchase agreements are capitalised in the balance sheet at their equivalent capital value and are depreciated over their useful lives. The corresponding liabilities are recorded as a creditor and the interest element of the finance lease/hire purchase agreement is charged to the profit and loss account on an annuity basis.

Rent payable in respect of assets held under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

#### **Provisions**

Provisions for dilapidations, restructuring costs and legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

# Adare SEC Limited

## Notes (continued)

### 1 Accounting policies (continued)

#### Pensions

A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

The current service cost of the defined benefit plan, recognised in the income statement in employee benefit expense, except where included in the cost of an asset, reflects the increase in the defined benefit obligation resulting from service in the current year, benefit changes, curtailments and settlements.

Past-service costs are recognised immediately in income.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the income statement.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

#### Consolidation

The company is a wholly-owned subsidiary of ACICS Limited and of its ultimate parent, Adare SEC Holdings Limited. It is included in the consolidated financial statements of Adare SEC Holdings Limited which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

These financial statements are separate financial statements.

# Adare SEC Limited

## Notes (*continued*)

### 1 Accounting policies (*continued*)

#### **Critical accounting estimates and assumptions**

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

##### *(a) Useful economic lives of property, plant and equipment*

The annual depreciation charge for property, plant and equipment is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets.

##### *(b) Impairment of trade receivables*

The company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other receivables, management considers factors including the credit rating of the receivable, the ageing profile of receivables and historical experience.

##### *(c) Defined benefit pension scheme*

The company has an obligation to pay pension benefits to certain employees. Although the scheme is closed to future accrual, the cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension obligation in the balance sheet. The assumptions reflect historical experience and current trends.

# Adare SEC Limited

## Notes (continued)

### 2 Revenues

The company is engaged in end-to-end essential communications solutions (transactional mail, direct marketing and print management). All of the company's revenue is derived from its operations which are located in the United Kingdom. A geographical analysis of turnover by destination is given below:

	2017 £'000	2016 £'000
United Kingdom	66,341	66,844
Europe	354	420
Rest of the world	1,018	790
Total	<u>67,713</u>	<u>68,054</u>

Revenue arises from the following

	2017 £'000	2016 £'000
Sale of goods	65,418	65,592
Services	2,295	2,462
Total	<u>67,713</u>	<u>68,054</u>

### 3 Operating profit before exceptional items

	2017 £'000	2016 £'000
This is stated after charging:		
Directors' emoluments (see note 7)	374	210
Auditors' remuneration – audit services	85	38
Management charges	470	598
Depreciation:		
- owned assets	1,033	920
- leased assets	962	41
Amortisation of intangible assets	375	261
Rentals payable under operating leases	1,214	816
Inventory recognised as an expense	19,666	14,218

# Adare SEC Limited

## Notes (continued)

### 4 Exceptional items

Items that are material either because of their size or their nature, or that are non-recurring are considered to be exceptional items. During the year, the exceptional items as detailed below have been included separately on the income statement.

	2017 £'000	2016 £'000
Restructuring and reorganisation costs	2,031	-
Other	229	-
Provision against intercompany debtor	2,171	-
Impairment of investment in subsidiary	412	-
	<u>4,843</u>	<u>-</u>

### 5 Finance costs

	2017 £'000	2016 £'000
Invoice finance interest	80	69
Finance lease interest	114	3
Interest on pension scheme liabilities	991	-
Interest on pension scheme assets	(964)	-
Other interest	24	-
	<u>245</u>	<u>72</u>

### 6 Finance income

	2017 £'000	2016 £'000
Interest on pension scheme liabilities	-	(1,133)
Interest on pension scheme assets	-	1,208
	<u>-</u>	<u>75</u>
<b>Total finance income</b>	<u>-</u>	<u>75</u>

# Adare SEC Limited

## Notes (continued)

<b>7 Directors' emoluments</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
Director fees	23	-
Salaries	334	198
Pension contributions	17	12
	<hr/>	<hr/>
	<b>374</b>	<b>211</b>
	<hr/>	<hr/>

Fees and other emoluments paid to the highest paid director

	<b>2017 £'000</b>	<b>2016 £'000</b>
Salaries	198	198
Pension contributions	10	12
	<hr/>	<hr/>
	<b>208</b>	<b>210</b>
	<hr/>	<hr/>

## 8 Employees

The average monthly number of employees during the year analysed by function, comprised:

	<b>2017 Number</b>	<b>2016 Number</b>
Production	319	256
Administration	133	171
	<hr/>	<hr/>
	<b>452</b>	<b>427</b>
	<hr/>	<hr/>

The aggregate payroll cost of these persons was as follows:

	<b>2017 £'000</b>	<b>2016 £'000</b>
Wages and salaries	14,831	12,834
Social security costs	1,600	1,218
Defined benefit pension income	27	(75)
Defined contribution costs	387	331
	<hr/>	<hr/>
	<b>16,845</b>	<b>14,308</b>
	<hr/>	<hr/>

# Adare SEC Limited

## Notes (continued)

### 9 Income tax

<b>(a) Analysis of charge in year</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<i>Current tax:</i>		
UK corporation tax charge for the year	-	1,131
Adjustments in respect of prior years	-	11
	<hr/>	<hr/>
	-	1,142
<i>Deferred tax:</i>		
Origination and reversal of timing differences	833	170
Adjustment in respect of prior years	2	34
Impact of change in tax rates	-	246
	<hr/>	<hr/>
<b>Tax charge on profit on ordinary activities</b>	<b>835</b>	<b>1,592</b>

### **(b) Factors affecting tax charge in year**

\*The tax assessed for the year is higher (2016: *higher*) than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	<b>2017 £'000</b>	<b>2016 £'000</b>
(Loss)/profit on ordinary activities before tax	<b>(3,886)</b>	3,276
	<hr/>	<hr/>
(Loss)/profit on ordinary activities multiplied by the standard Rate of corporation tax of 19.41% (2016: 20%.	<b>(754)</b>	655
<i>Effects of:</i>		
Expense/(income) not taxable	578	64
Fixed asset differences	29	60
Imputed interest income	438	423
Adjustment in respect of prior years	2	45
Other tax adjustments and transfers	<b>(4,642)</b>	-
Remeasurement of deferred tax – change in UK tax rate	556	345
Group relief received for nil payment	<b>(265)</b>	-
Movement in deferred tax asset not recognised	<b>4,893</b>	-
	<hr/>	<hr/>
<b>Total tax charge for year (note 9 (a))</b>	<b>835</b>	<b>1,592</b>

### **(c) Factors affecting future tax charges**

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 on 26 October 2016 and Finance Bill 2016 on 7 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.



# Adare SEC Limited

## Notes (continued)

### 10 Intangible assets

	Software under development £'000	Computer software £'000	Total £'000
<b>Cost</b>			
At 1 November 2016	175	2,805	2,980
Additions	83	203	286
Transfers	(175)	175	-
Transfer from subsidiary	-	45	45
	<hr/>	<hr/>	<hr/>
<b>At 31 October 2017</b>	<b>83</b>	<b>3,228</b>	<b>3,311</b>
	<hr/>	<hr/>	<hr/>
<b>Accumulated amortisation</b>			
At 1 November 2015	-	1,789	1,789
Charge for year	-	375	375
	<hr/>	<hr/>	<hr/>
<b>At 31 October 2017</b>	<b>-</b>	<b>2,164</b>	<b>2,164</b>
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 October 2017</b>	<b>83</b>	<b>1,064</b>	<b>1,147</b>
	<hr/>	<hr/>	<hr/>
At 31 October 2016	175	1,016	1,191
	<hr/>	<hr/>	<hr/>

Amortisation is recorded in administrative expenses in the income statement

<b>11 Investments in subsidiary undertaking</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
At beginning of year	412	-
Additions	-	412
Impairment in carrying value of subsidiary	(412)	-
	<hr/>	<hr/>
<b>At end of year</b>	<b>-</b>	<b>412</b>
	<hr/>	<hr/>

The company's subsidiary is Adare SEC (Nottingham) Limited, registered in England and Wales. The company was acquired on 21 July 2016. On 1 July the trade and assets of this business were hived up into Adare SEC Limited. As a result the investment in the subsidiary is considered to be fully impaired by the directors.

# Adare SEC Limited

## Notes (continued)

### 12 Property, plant and equipment

	Capital in progress £'000	Additions to leasehold premises £'000	Freehold land and buildings £'000	Plant, machinery and equipment £'000	Total £'000
<b>Cost</b>					
At 1 November 2016	19	624	3,845	8,187	12,675
Additions	375	4	31	4,572	4,982
Transfer from subsidiary (note 25)	-	-	-	3,360	3,360
Disposals	-	-	-	(15)	(15)
Transfer	(19)	-	-	19	-
<b>At 31 October 2017</b>	<b>375</b>	<b>628</b>	<b>3,876</b>	<b>16,123</b>	<b>21,002</b>
<b>Accumulated depreciation</b>					
At 1 November 2016	-	45	1,730	5,753	7,528
Charge for year	-	48	99	1,848	1,995
Disposals	-	-	-	(4)	(4)
<b>At 31 October 2017</b>	<b>-</b>	<b>93</b>	<b>1,829</b>	<b>7,597</b>	<b>9,519</b>
<b>Net book value</b>					
<b>At 31 October 2017</b>	<b>375</b>	<b>535</b>	<b>2,047</b>	<b>8,526</b>	<b>11,483</b>
At 31 October 2016	19	579	2,115	2,434	5,147

The net book value of plant and machinery at 31 October 2017, acquired under finance leases/hire purchase arrangements, was £5,876,156 (2016: £6,806). Depreciation charged on such assets in the year ended 31 October 2017 was £962,048 (2016: £40,840).

### 13 Inventory

	2017 £'000	2016 £'000
Raw materials	961	1,046
Work in progress	604	118
Finished goods	867	1,124
	<b>2,432</b>	<b>2,288</b>

Inventories are stated after provisions for impairment of £247,000 (2016: £270,000)

In the opinion of the directors, the replacement cost of stocks at 31 October 2017, is not materially different to the carrying value as stated above.

# Adare SEC Limited

## Notes (continued)

<b>14 Trade and other receivables</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Amounts falling due within one year:</i>		
Trade receivables	9,793	9,685
Amounts owed by fellow group undertakings	48,183	49,045
Other debtors	222	349
Prepayments and accrued income	1,539	985
Deferred tax	112	-
	<hr/>	<hr/>
	59,849	60,064
<i>Amounts falling due after one year:</i>		
Deferred tax asset (note 18)	862	1,951
	<hr/>	<hr/>
	60,711	62,015
	<hr/>	<hr/>

Trade receivables are stated after provision for impairment of £302,000 (2016: £114,000)  
Amounts owed by fellow group undertakings are interest free and repayable on demand.

<b>15 Creditors: amounts falling due within one year</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Trade payables	9,672	9,282
Amounts owed to fellow group undertakings	-	10,864
Other creditors	689	243
Other taxes and social security	1,655	1,917
Accruals and deferred income	1,539	885
Invoice financing facility	3,598	1,499
Finance leases	1,471	5
	<hr/>	<hr/>
	18,624	24,695
	<hr/>	<hr/>

Interest is payable on the invoice finance facility at a rate of 1.95% above the bank base rate.  
Amounts owed to fellow group undertakings are interest free and repayable on demand. The  
balances from the previous year were forgiven part of the reorganisation of the group.

<b>16 Creditors: amounts falling due after more than one year</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Finance leases	4,370	-
	<hr/>	<hr/>

# Adare SEC Limited

## Notes (continued)

### 17 Borrowings

The maturity analysis of the finance leases/hire purchase arrangement is as follows	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
No later than 1 year	<b>1,471</b>	<b>5</b>
Later than 1 year and no later than 5 years	<b>4,370</b>	<b>-</b>
	<hr/>	<hr/>
	<b>5,841</b>	<b>5</b>
	<hr/>	<hr/>
The future minimum finance lease payments are as follows	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Within one year	<b>1,684</b>	<b>6</b>
Between one and two years	<b>5,472</b>	<b>-</b>
Between two and five years	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
	<b>7,156</b>	<b>6</b>
	<hr/>	<hr/>

# Adare SEC Limited

## Notes (continued)

<b>18 Deferred tax</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Deferred tax asset</b>		
At beginning of year	<b>1,951</b>	<b>1,674</b>
Adjustment in respect of prior year (note 9 (a))	<b>(2)</b>	<b>(34)</b>
Charged in year (note 9(a))	<b>(833)</b>	<b>(170)</b>
Impact of change in tax rates	<b>-</b>	<b>(246)</b>
Within other comprehensive income	<b>(142)</b>	<b>727</b>
	<hr/>	<hr/>
<b>At end of year (note 14)</b>	<b>974</b>	<b>1,951</b>
	<hr/>	<hr/>
<i>Deferred tax assets arise as follows:</i>		
Capital allowances	<b>827</b>	<b>1,486</b>
Other timing differences	<b>63</b>	<b>25</b>
Spread of pension contributions	<b>105</b>	<b>209</b>
Related to post employment benefits	<b>(21)</b>	<b>231</b>
	<hr/>	<hr/>
<b>At end of year</b>	<b>974</b>	<b>1,951</b>
	<hr/>	<hr/>

The deferred tax asset is recognised to the extent that management can foresee its utilisation based on future forecasts for the next 3 years. Additional potential assets of £4,819,000 related to capital allowances and £74,000 in relation to losses have not been recognised on the grounds that their recoverability is uncertain.

<b>19 Called up share capital</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
<b>Allotted, called up and fully paid</b>		
2 ordinary shares (2016: 2) of £1 each	<b>-</b>	<b>-</b>
	<hr/>	<hr/>
<b>20 Capital reserve</b>	<b>2017 £'000</b>	<b>2016 £'000</b>
At 31 October	<b>896</b>	<b>896</b>
	<hr/>	<hr/>

# Adare SEC Limited

## Notes (continued)

### 21 Lease commitments

The company has the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2017 £'000	2016 £'000
Not later than one year	1,378	674
Later than one year but not later than five years	4,601	2,178
More than five years	3,954	2,860
	<u>9,933</u>	<u>5,712</u>

### 22 Capital commitments

Future capital expenditure approved by the directors but not provided for in these financial statements is as follows:

	2017 £'000	2016 £'000
Contracted	<u>218</u>	<u>68</u>

### 23 Provisions for liabilities

	Restructuring £'000	Total £'000
At 1 November 2016	78	78
Transferred on hive up of subsidiary	212	212
Charged in year	1,296	1,296
Utilised in year	(78)	(78)
	<u>1,508</u>	<u>1,508</u>
<b>At 31 October 2017</b>	<b>1,508</b>	<b>1,508</b>

Restructure Provision – During both the current and preceding year the company has restructured its operations following the hive up of part of the business of Access Plus Marketing Services Limited, and the move of this business into the Nottingham site. As a result provisions are in place against the closure costs of the site and redundancy costs of people located there. This includes a provision against the onerous lease at the site.

# Adare SEC Limited

## Notes (continued)

### 24 Post employment benefits

#### *Defined benefit pension scheme*

The company sponsors the Halcyon Business Solutions Pension Scheme, a funded defined benefit pension scheme in the UK. The Scheme is administered within a trust which is legally separate from the company. Trustees are appointed by both the company and the Scheme's membership and act in the interest of the Scheme and all relevant stakeholders, including the members and the company. The Trustees are also responsible for the investment of the Scheme's assets.

The Scheme provides pensions and lump sums to members on retirement and to their dependants on their death. Members who leave service before retirement are entitled to a deferred pension. The Scheme closed to accrual of benefits on 30 March 2003.

Responsibility for making good any deficit within the Scheme lies with the company and this introduces a number of risks for the company. The major risks are: interest rate risk, inflation risk, investment risk, and longevity risk. The company and Trustees are aware of these risks and manage them through appropriate investment and funding strategies. The Trustees manage governance and operational risks through a number of internal controls policies, including a risk register.

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The next actuarial valuation is due to be carried out with an effective date of 31 January 2018. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. This contrasts with these accounting disclosures, which are determined using best estimate assumptions.

A formal actuarial valuation was carried out as at 31 January 2015. The results of that valuation have been projected to 31 October 2017 by a qualified independent actuary. The figures in the following disclosure were measured using the Projected Unit Method.

The amounts recognised in the balance sheet are as follows:

	2017 £000	2016 £000
Present value of scheme liabilities	(34,525)	(36,193)
Fair value of scheme assets	34,647	34,837
	<hr/>	<hr/>
Asset/(liability) in the balance sheet	122	(1,356)
	<hr/>	<hr/>

The amounts recognised in comprehensive income are:

	2017 £000	2016 £000
Current service cost (net of employee contributions)	-	-
Administrative expenses	-	-
Net interest charge/(credit)	27	(75)
	<hr/>	<hr/>
Charge/(credit) recognised in income statement	27	(75)
	<hr/>	<hr/>

# Adare SEC Limited

## Notes (continued)

### 24 Post employment benefits (continued)

#### Remeasurements of the net liability

Return on scheme assets (excluding amounts included in interest expense)	349	(3,923)
Loss arising from changes in financial assumptions	56	7,019
Gain arising from changes in demographic assumptions	(1,138)	-
Experience loss	-	541
(Income)/charge recorded in other comprehensive income	(733)	3,637
Total defined benefit (credit)/charge	(706)	3,562

#### The principal actuarial assumptions used were:

	2017	2016
Liability discount rate	2.60%	2.80%
Inflation rate (RPI)	3.30%	3.60%
Inflation rate (CPI)	2.30%	2.60%
Revaluation of deferred pensions	2.30%	2.60%
Increase to pensions in payment	2.30%	2.60%
Proportion of employees commuting pension for cash	100.00%	100.00%
Expected age at death of current pensioner at age 65		
Males aged 65 at year end:	88.4	89.0
Female aged 65 at year end:	90.9	91.5
Expected age at death of future pensioners at age 65		
Males aged 45 at year end:	90.6	91.3
Female aged 45 at year end:	93.3	93.9

The mortality tables used in the valuation as at 31 October 2017 are 90% of S1NMA (males) and S1NFA (females) with allowance for mortality improvements using CMI\_2015 with a 1.5%pa underpin. At 31 October 2016 the mortality tables used were 90% of S1NMA (males) and S1NFA (females) with allowance for mortality improvements using CMI\_2011 with a 1.5%pa underpin

The movement in the defined benefit liability over the year is as follows:



# Adare SEC Limited

## Notes (continued)

### 24 Post employment benefits (continued)

	2017 £'000	2016 £'000
<b>Change in the fair value of assets over the year</b>		
At start of year	34,837	30,670
Interest income	964	1,208
Return on assets (excluding amount included in net interest expense)	(349)	3,923
Cash contributions	772	699
Benefits paid	(1,577)	(1,663)
<b>At end of the year</b>	<b>34,647</b>	<b>34,837</b>
Actual return on assets over the year	615	5,131
<b>Movement in present value of liabilities over the year</b>		
At start of year	36,193	29,163
Interest cost	991	1,133
Actuarial gains and losses arising from changes in financial assumptions	56	7,019
Actuarial gains and losses arising from changes in demographic assumptions	(1,138)	-
Other experience items	-	541
Benefits paid	(1,577)	(1,663)
<b>At end of the year</b>	<b>34,525</b>	<b>36,193</b>

The split of the Scheme's liabilities by category of membership is as follow:

	2017 £'000	2016 £'000
Deferred pensioners	20,542	20,989
Pensioners in payment	13,983	15,204
<b>At end of the year</b>	<b>34,525</b>	<b>36,193</b>
Average duration of the Scheme's liabilities at the end of the year (in years)	16	17
This can be subdivided as follows:		
Deferred pensioners (years)	19	20
Pensions in payment (years)	11	12

# Adare SEC Limited

## Notes (continued)

### 24 Post employment benefits (continued)

The major categories of Scheme assets are as follows:

	2017 £'000	2016 £'000
<b>Return seeking</b>		
Equities	-	436
Absolute return funds	22,825	12,786
Return seeking subtotal	22,825	13,222
<b>Debt instruments</b>		
Corporates	-	564
Gilts	6,140	4,823
Index linked	4,731	4,468
Debt instrument subtotal	10,871	9,855
<b>Other</b>		
Cash in transit	-	9,800
Cash	496	1,481
Insured pensioner asset	455	479
	951	11,760
<b>At end of the year</b>	<b>34,647</b>	<b>34,837</b>

The Scheme has no investments in the Company or in property occupied by the Company.

#### Sensitivity of the liability value to changes in the principal assumptions

If the discount rate was 0.1 percent higher (lower), the scheme liabilities would decrease by £525,000 (increase by £540,000) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £270,000 (decrease by £365,000). In this calculation all assumptions related to the inflation assumption have been appropriately adjusted, that is the deferred pension and pension in payment increases. The other assumptions remain unchanged.

If life expectancies were to increase (decrease) by 1 year, the scheme liabilities would increase by £1,165,000 (decrease by £1,110,000) if all the other assumptions remained unchanged.

#### Minimum funding requirement

The plan is a registered scheme under UK legislation. As such it is subject to the scheme funding requirements outlined in that legislation. The scheme funding valuation of the Scheme as at 31 January 2015 revealed a deficit of £10.4m. In a recovery plan dated 12 January 2018 the employer has agreed to pay contributions, which will total £66,000 in 2018 with a view to eliminating the shortfall during 2025.

# Adare SEC Limited

## Notes (continued)

### 25 Transfer of trade and assets

On 30 June 2017 the company hived up the trade and assets of Adare SEC (Nottingham) Limited, its subsidiary undertaking. The book value of the assets and liabilities acquired were as follows:

	Book value at date of hive up £'000
<b>Net assets at the hive up date:</b>	
Property, plant and equipment	3,360
Intangible assets	45
Inventory	238
Trade and other receivables	2,275
Cash	97
Trade and other payables	(1,519)
Other loans	(739)
Finance lease creditors	(2,983)
Provisions for liabilities	<u>(212)</u>
Net identifiable assets and liabilities	<u>562</u>
Consideration:	
Intercompany settlement	<u>562</u>
Total consideration	<u>562</u>

The gross value of trade receivables hived up was £1,975,000. The fair value of these debts was £1,946,000 with £29,000 expected to be uncollectable.

For the period from 1 November 2016 to 30 June 2017, the company achieved revenue of £6,752,000 and made an operating loss of £618,000.

# Adare SEC Limited

## Notes (continued)

### 25 Transfer trade and assets (continued)

On 31 October 2016 the trade and assets of part of Access Plus Marketing Services Limited were transferred to the company from a fellow Group subsidiary. The book value of the assets and liabilities transferred were as follows:

	Book value at date of hive up £'000
<b>Net assets at the transfer date:</b>	
Property, plant and equipment	26
Inventory	82
Trade and other receivables	1,341
Trade and other payables	(945)
Provisions for liabilities and charges	(78)
	<hr/>
Net identifiable assets and liabilities	426
	<hr/>
Consideration:	
Intercompany settlement	426
	<hr/>
Total consideration	426
	<hr/>

The gross value of trade receivables acquired was £888,000. The fair value of these debts was £881,000 with £7,000 expected to be uncollectable.

It is not possible to separate out the profits of the parts of Access Plus Marketing Services Limited acquired for the period from 1 November 2015 to the date of acquisition from the rest of its business.

### 26 Bank security

The bank loans and overdrafts of the Adare SEC Holdings Limited group are secured by way of:

- a first debenture from certain group undertakings (including Adare SEC Limited) comprising a legal charge over properties owned by the Adare SEC Holdings Limited group and a floating charge over all of the assets of such undertakings together with intergroup guarantees from certain group undertakings (including Adare SEC Limited); and

In relation to the Group's invoice financing facility:

- a charge over the book debts of certain trading subsidiary undertakings supported by cross guarantees from certain other group undertakings (including Adare SEC Limited).

A strategic review of the business has been concluded by new management and the Directors have engaged its banks in its revised 3 year growth plan. The investors have confirmed their support to this plan and the bank has issued a reservation of rights letter which confirms that repayment of the facilities is not currently required. The Directors will continue to work closely with the banks to keep them informed on and engaged with the progress of the strategic plan.

# Adare SEC Limited

## Notes *(continued)*

### **27 Ultimate parent undertaking**

The company's immediate parent undertaking is ACICS Limited and the company's ultimate parent undertaking is Adare SEC Holdings Limited. Each of these companies is incorporated in England and Wales.

The only consolidated financial statements in which the results of Adare SEC Limited at 31 October 2017 are included are those of Adare SEC Holdings Limited. Copies of the consolidated financial statements of this company are filed at Companies House, Crown Way, Cardiff.

During the previous year the company's immediate parent undertaking was Adare Group Limited and the company's ultimate parent undertaking was Hamsard 3350 Limited, both incorporated in England and Wales.

The ultimate controlling party of the Group is Endless III General Partner LLP by way of its controlling of Endless Fund III A Limited Partnership, Endless Fund III B Limited Partnership and Endless Fund III C Limited Partnership who between them own 75% of the Group.

### **28 Related party transactions**

#### ***Group undertakings***

The company has taken advantage of the exemption from disclosing transactions with wholly owned group companies.