Telensa Ltd

Company Registration No. 04498125

Report and Financial Statements

31 March 2017

Company Information

Directors
W Gibson
T Jackson

Secretary
J Stevens

Auditor
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
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Cambridge,
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Strategic Report

Principal activities and review of the business
The company is involved in the development, sale, installation and support of wireless telemetry systems for the management and control of public lighting and other smart city applications.

The company's strategic objective is to deliver a sustainable business model selling smart lighting and other smart city applications. Capitalising on the growing adoption of LED streetlights across the world, the company has invested heavily this year to build its international commercial organisation, to accelerate sales in new geographic markets.

Current revenue is primarily derived from the sale of product and services.

The company's key financial performance indicators during the year were as follows:

	Year ended 31 March 2017 £	*Year ended 31 March* 2016 £	Change %
Revenue	22,835,893	12,001,300	90%
Operating profit	2,586,996	126,710	1942%
Profit for the year attributable to equity shareholders	3,160,176	62,565	4951%
Gross Profit %	54%	45%	9%
Average monthly number of employees	63	35	

Revenue increased during the year primarily due to the revenue derived from the sale of products with a lower contribution being from the supply of services.

Operating profit increased by 1942% during the year. This increase was predominantly due to the increase in revenue & gross margin with research and development costs and headcount being slightly under budget.

Profit for the year increased primarily as a result of an increase in the gross margin, together with good cost control despite growth in the company infrastructure.

Principal risks and uncertainties
The Board has overall responsibility for risk management and internal controls and is assisted by the Audit Committee. This includes management of market risk, credit risk, liquidity risk and review and assessment of the internal control environment.

The company derived its revenues in the year by selling products and services income. The company's principal products, being electronic products manufactured in the Far East, are denominated in US Dollars, although manufacture of our products will be from Wales in the next financial year. Where possible, the company seeks to take payment for the sale of such products also in US dollars, thereby mitigating the company's foreign exchange risk. Management will continue to monitor this going forward.

Strategic Report

Principal risks and uncertainties (continued)
Credit risk is the risk that the counterparty will fail to discharge its obligation. The company's principal financial assets are bank balances, trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and its assessment of the current economic environment. The company has a concentration of credit risk, with exposure spread over a small number of counterparties and customers. New customers are subject to an initial credit assessment and credit limits are reviewed on an on-going basis and subject to senior management oversight. The payment position of past due trade receivables is monitored daily and actively managed.

The standard credit terms for sales are thirty (30) days net.

The company's success continues to depend on its ability to sustain its market position. During the year, it has maintained its position as a market leader in the UK and has begun expansion into overseas markets, particularly the US.

Going concern
During the year the company generated a profit of £3,160,176 (2016: profit £62,565). Throughout the year the company continued with investment in sales, marketing, product development, operations and engineering development staff, as well as expenses associated with the introduction of new products.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements

Future developments
Unlike many applications in the Internet of Things (IoT), connected street lighting has a business case proven over many years. Cities are now looking to build on this platform to add and integrate sensor applications.

To exploit this opportunity, the company is executing against a product roadmap that will further differentiate the lighting offer, open new sensor application revenue streams, and enable commercial partnerships with smart city data platforms.

On behalf of the Board

T Jackson

T Jackson
Director
28 July 2017

Directors' Report

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

Results and dividends
The profit for the year after taxation amounted to £3,160,176 (2016: profit £62,565). The directors do not recommend a final dividend.

Board of directors
The company is controlled through the Board of Directors, which comprises two executive directors who bring a wide range of skills and experience to the Board. It is responsible for overall company strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviews the strategic direction of the company and conducts formal strategy reviews together with other senior executives within the company at least once a year.

Financial control
The company's strategic direction is reviewed regularly by the Board and plans, budgets and performance targets are reviewed and approved at least annually. Directors receive monthly summaries of financial results which compare actual performance with targets, together with detailed management reports that identify the reasons for variances and the progress achieved. Business planning documents are revised on a regular basis in line with actual and expected performance.

Directors
The directors who served throughout the year, and to the date of approval of this report were those listed below:

W Gibson
T Jackson

Financial risk management and policies
The company's financial risk management and policies is as specified in the strategic report.

Insurance
The company continues to maintain directors' and officers' insurance.

Auditor
Grant Thornton UK LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them as auditor will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

T Jackson

T Jackson
Director
28 July 2017

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; 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. 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.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report
to the members of Telensa Ltd

We have audited the financial statements of Telensa Ltd for the year ended 31 March 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity, the statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its results for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matter on which we are required to report under Companies Act 2006

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

Independent auditor's report

to the members of Telensa Ltd

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Cambridge

Date: 28 July 2017

Statement of comprehensive income
For the year ended 31 March 2017

	Notes	2017 £	2016 £
Revenue	5	22,835,893	12,001,300
Cost of sales		(10,551,271)	(6,633,718)
Gross profit		12,284,622	5,367,582
Administrative expenses		(9,697,626)	(5,240,872)
Operating profit	6	2,586,996	126,710
Finance income	10	1,191	-
Finance costs	11	(216,080)	(52,129)
Profit on ordinary activities before taxation		2,372,107	74,581
Tax on profit on ordinary activities	12	788,069	(12,016)
Profit for the financial year		3,160,176	62,565
Other comprehensive income for the year		-	-
Total comprehensive income for the year		3,160,176	62,565

There are no other items of Comprehensive Income, and the results are all derived from continuing operations.

The notes on pages 11 – 34 are an integral part of these financial statements.

Statement of financial position
As at 31 March 2017

	Notes	2017 £	2016 £
Non-current assets			
Property, plant and equipment	13	1,020,117	256,021
Intangible assets	14	1,347,581	775,727
Investment in subsidiary	15	2	1
Deferred tax asset	23	-	-
Non-current assets		2,367,700	1,031,749
Current assets			
Inventories	16	1,044,336	1,258,902
Trade and other receivables	17	4,420,091	3,118,136
Current Tax	23	744,808	-
Cash and cash equivalents	18	8,780,712	5,351,653
Current assets		14,989,947	9,728,691
Total assets		**17,357,647**	**10,760,440**
Equity attributable to owners of the parent			
Share capital	24	103	103
Retained earnings		3,036,211	(123,965)
Capital contribution	25	4,000,000	4,000,000
Share based payment reserve	26	1,475,403	-
Total equity		8,511,717	3,876,138
Non-current liabilities			
Borrowings	20	1,666,667	1,166,667
Deferred tax liabilities	23	-	43,261
Non-current liabilities		1,666,667	1,209,928
Current liabilities			
Trade and other payables	19	5,143,401	4,308,022
Provisions	21	35,862	21,538
Borrowings	20	2,000,000	1,333,333
Current tax liabilities	23	-	11,481
Current liabilities		7,179,263	5,674,374
Total liabilities		8,845,930	6,884,302
Total equity and liabilities		**17,357,647**	**10,760,440**

The notes on pages 11 – 34 are an integral part of these financial statements. These financial statements were approved by the board of directors and authorised for issue on 28 July 2017.
They were signed on its behalf by:

T Jackson
Director

Statement of changes in equity
For the year ended 31 March 2017

	Share capital £	Capital contribution reserve £	Retained Earnings £	Reserve for share based payment £	Total Equity £
Balance at 1 April 2016	**103**	**4,000,000**	**(123,965)**	**-**	**3,876,138**
Credit to equity for share based payment with owners	-	-	-	1,475,403	1,475,403
Transactions with owners	**-**	**-**	**-**	**1,475,403**	**1,475,403**
Profit for the year	-	-	3,160,176	-	3,160,176
Total comprehensive income for the year	**-**	**-**	**3,160,176**	**-**	**3,160,176**
Balance at 31 March 2017	**103**	**4,000,000**	**3,036,211**	**1,475,403**	**8,511,717**
Balance at 1 April 2015	**103**	**-**	**(186,530)**	**-**	**(186,427)**
Capital contribution	-	4,000,000	-	-	4,000,000
Transactions with owners	**-**	**4,000,000**	**-**	**-**	**4,000,000**
Profit for the year	-	-	62,565	-	62,565
Total comprehensive income for the year	**-**	**-**	**62,565**	**-**	**62,565**
Balance at 31 March 2016	**103**	**4,000,000**	**(123,965)**	**-**	**3,876,138**

The notes on pages 11 – 34 are an integral part of these financial statements.

Statement of cash flows
for the year ended 31 March 2017

	2017	2016
Operating activities	£	£
Profit before tax for year	2,372,107	74,581
Share based payment	1,475,403	-
Depreciation	171,632	132,667
Amortisation	110,715	106,504
Loss on disposal of property, plant & equipment	998	-
Interest received	(1,191)	-
Interest paid	216,080	52,129
(Increase)/decrease in trade receivables	22,151	(828,334)
(Increase)/decrease in inventories	214,566	(712,895)
(Increase)/decrease in other receivables	(1,324,105)	(626,365)
Increase in trade payables	413,813	2,530,568
Increase/(decrease) in other liabilities	407,976	(1,127,760)
Increase in provisions	14,324	21,538
Net cash flow from operations	4,094,469	(377,367)
Taxes paid	(11,481)	(9,875)
Net cash flow from operating activities	4,082,988	(387,242)
Investing activities		
Capital expenditure on property, plant and equipment	(936,726)	(181,764)
Capital expenditure on intangible assets	(682,569)	(685,267)
Interest received	1,191	-
Purchase of share in Singapore	(1)	-
Net cash flow from investing activities	(1,618,105)	(867,031)
Financing activities		
Bank Loan drawdown	1,500,000	1,500,000
Repayments of bank loan	(333,333)	-
Working capital facility	-	1,000,000
Capital contribution received	-	4,000,000
Interest paid	(202,491)	(44,473)
Net cash flow from financing activities	964,176	6,455,527
Increase in cash and cash equivalents	3,429,059	5,201,254
Cash and cash equivalents at 1 April	5,351,653	150,399
Cash and cash equivalents at 31 March 2017	8,780,712	5,351,653

The notes on pages 11 – 34 are an integral part of these financial statements.

Notes to the financial statements
at 31 March 2017

1. **General information**

Telensa Ltd is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on the company information page. The nature of the company's operations and its principal activities are set out on pages 1 to 2.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

2. **Adoption of New and Revised Standards**

Standards not affecting the reported results nor the financial position

The following new and revised Standards and Interpretations have been adopted in the current period. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IAS 19 (amended)	Amendments to IAS 19 (employee Benefits)
Improvements to IFRSs	2010-2012 cycle
Improvements to IFRSs	2011-2013 cycle

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IFRS 9	Financial Instruments (effective 1 January 2018)
IFRS 15	Revenue from Contracts with Customers (effective 1 January 2018)
IFRS 16	Leases (effective 1 January 2019)

The adoption of IFRS 9 will impact both the measurements and disclosures of Financial Instruments. The adoption of IFRS 16 will result in leases currently accounted for as operating lease expected to be recognised as assets with a corresponding liability. No assessment of the impact of IFRS 15 on revenue recognition has yet been completed.

Notes to the financial statements
at 31 March 2017

3. **Accounting policies**

Basis of preparation

The company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006. The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

Exemption from group accounts

The company has taken advantage of the exemption from preparing consolidated accounts afforded by section 400 of the Companies Act 2006 because it is a wholly owned subsidiary of Telensa Holdings Limited which prepares consolidated financial statements which are publicly available. Information is therefore presented for the individual company, not its group.

Going Concern

During the year the company generated a profit of £3,160,176 (2016: £62,565). Throughout the year the company continued with investment in sales, marketing, product development, operations and engineering development staff, as well as expenses associated with the introduction of new products.

After reviewing the company's forecasts and projections, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, VAT and other sales taxes. Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and can be reliably measured. In addition, revenue in respect of services is recognised when the services have been provided to the customer.

Revenue (excluding VAT) comprises sales of product and services. Revenue is recognised on delivery of each element in line with the fair value of the commitment.

Foreign currency

The financial statements are presented in the currency of the primary economic environment in which it operates (its functional currency). The UK pound is the predominant functional currency of the company and presentation currency for the financial statements.

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

Pensions

The company contributes to a defined contribution pension scheme and the pension charge represents the amounts payable by the company in respect of the year.

Notes to the financial statements
at 31 March 2017

3. Accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on cost less residual value in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Leasehold improvements	Over 10 years
Plant and machinery	Over 3 years
Office equipment	Over 5 years
Computer equipment	Over 3 years

Intangible assets
Internally-generated intangible assets – research and development expenditure
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the company's product development costs is recognised only if all of the following conditions are met:

- an asset is created that can be identified;
- the project from which the asset arises meets the company's criteria for assessing technical feasibility;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over 5 years. Amortisation is recognised within administrative expenses within the statement of comprehensive income. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment of tangible and intangible assets
At each statement of financial position date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss.

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Notes to the financial statements
at 31 March 2017

3. **Accounting policies (continued)**

Impairment of tangible and intangible assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Operating leases

Where the Company is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the term of the lease. Associated costs, such as maintenance and insurance, are expenses as incurred.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is measured as a weighted average and comprises materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Where necessary the company makes a provision for obsolete and slow-moving inventory.

Trade and other receivables

Trade receivables are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision is made when there is objective evidence that the company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short-term deposits. For the purposes of the statement of the cash flows, cash and cash equivalents are as defined above.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event and it is probable that the company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the statement of financial position date.

Taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the statement of financial position date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- Deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Notes to the financial statements
at 31 March 2017

3. **Accounting policies (continued)**

Taxes continued

- Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the statement of financial position date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the statement of comprehensive income.

Share based payments

The company issues equity settled share based payments to certain employees. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share based payments is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Share capital and reserves

Share capital

Ordinary shares are classified as equity. Equity instruments issued by Telensa Ltd are recorded when proceeds are received, net of direct issue costs.

Retained earnings

Retained earnings include all current and prior period retained profits/losses.

Capital contribution reserves

The amount of £4 million represents a permanent capital contribution by the parent company Telensa Holdings Limited effective following completion of a £6 million gross equity funding round in December 2015. The capital contribution is held in distributable reserves.

4. **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the company's accounting policies

The following are the critical judgements that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial information.

Notes to the financial statements
at 31 March 2017

4. **Critical accounting judgements and key sources of estimation uncertainty (continued)**

Revenue recognition

The policy is to recognise revenue in respect of support & software maintenance and hosting fees over the duration of the term of the contract, with hardware being booked upon delivery.

In making its judgement, management consider the detailed criteria for recognition of revenue from the provision of continuous services set out in IAS 18 Revenue. The directors are satisfied that the significant risks and rewards are transferred over time and that recognition of the revenue in equal instalments over the duration of the contractual period is therefore appropriate.

Capitalised development costs

An internally generated intangible asset arising from the company's product development costs is only recognised if all of the following conditions have been met:

- an asset is created that can be identified;
- the project from which the asset arises meets the company's criteria in assessing technical feasibility;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Management considers that the company has capitalised development costs from the point at which technical feasibility and commercial viability could be demonstrated and the development projects therefore satisfy the requirements of IAS38. The net book value of these capitalised development costs at 31 March 2017 is £1,327,099 (2016: £775,727).

5. **Revenue**

Revenues are derived from the sale of products and services. The company's operations and assets are predominantly located in the UK. The following table provides an analysis of the company's sales by geographical market, irrespective of the origin of the goods or services:

	2017	*2016*
	£	£
UK	12,534,266	10,442,915
USA	9,907,832	1,189,193
Rest of World	393,795	369,192
	22,835,893	12,001,300

	2017	*2016*
	£	£
Sale of products	21,055,645	11,040,529
Services	1,780,248	960,771
	22,835,893	12,001,300

Information about major customers

Revenue amounting to £12,165,642 (2016 - £3,920,216) of reported sales can be attributed to significant customers in 2017 of which £2,280,997 (2016 - £3,920,216) was from the UK and the remainder of £9,884,645 (2016 - £nil) was from the USA. No other customers accounted for more than 10 per cent of reported revenue.

Notes to the financial statements
at 31 March 2017

6. **Operating profit**

This is stated after charging/(crediting):

	2017	*2016*
	£	£
Depreciation of property, plant and equipment	171,632	132,667
Amortisation	110,715	106,504
Operating lease costs	109,002	-
Research and development costs (excl. staff wages)	1,126,630	1,472,671
Net foreign exchange (gains)/losses	(76,142)	44,145

Research and development spend, including amounts capitalised was £1,784,507 (2016: £2,157,938)

7. **Auditor's remuneration**

The analysis of the auditor's remuneration is as follows:

	2017	*2016*
	£	£
Fees payable to the company's auditor:		
Audit of the financial statements	21,000	15,000
Taxation compliance services	3,500	1,800
Other services: R&D Workshop & EMI Scheme	47,350	875

8. **Directors' remuneration**

	2017	*2016*
	£	£
Emoluments	313,109	289,216
Pension contributions	9,677	25,838
	322,786	315,054

In respect of the highest paid director	*2017*	*2016*
	£	£
Emoluments	171,858	133,630
Pension contributions	9,677	6,345
	181,535	139,975

During the year payments were made in respect to a defined contribution pension scheme on behalf of 1 director (2016 – 1).

Included in the above disclosure are amounts paid to third parties for directors' services during the year amounting to £141,251 (2016: £112,965).

Notes to the financial statements
at 31 March 2017

9. Staff costs

	2017	2016
	£	£
Wages and salaries	3,892,914	1,884,716
Social security costs	387,501	218,849
Pension costs	188,386	174,295
IAS 19 employee benefit (holiday accrual)	40,109	28,958
Share based payment	1,475,403	-
	5,984,313	2,306,818

Included in the wages and salaries above £116,479 (2016 - £176,983) related to development work and has subsequently been capitalised.

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

	2017	2016
	No.	No.
Technical and management	58	30
Administration	5	5
	63	35

10. Finance income

	2017	2016
	£	£
Other interest	1,191	-
	1,191	-

11. Finance costs

	2017	2016
	£	£
Interest payable on bank loans	196,536	52,129
Other interest payable	19,544	-
	216,080	52,129

Notes to the financial statements
at 31 March 2017

12. **Taxation**

The tax charge is made up as follows:	*2017*	*2016*
	£	£
Current tax:		
UK corporation tax on profits of the period	-	11,481
R&D tax credit claim prior period	(744,808)	-
	(744,808)	11,481
Deferred tax:		
Origination and reversal of timing differences	(43,261)	535
Total deferred tax (see note 23)	(43,261)	535
Tax on profit on ordinary activities	(788,069)	12,016

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

	2017	*2016*
	£	£
Profit on ordinary activities before tax	2,372,107	74,581
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016 - 20%)	474,421	14,916
Effects of:		
Expenses not deductible for tax	22,648	1,907
Deferred tax not recognised	(540,330)	-
Adjust closing deferred tax to average rate of 20%	-	(4,807)
Adjustments in respect of previous periods	(744,808)	-
Current tax charge for the year (see note above)	(788,069)	12,016

During 2017, the company has submitted claims for tax relief for research and development expenditure incurred in prior periods totalling £744,808. A further claim is intended to be submitted in respect of qualifying spend in the current year. No deferred tax for trading losses is recognised on the basis that UK losses will be utilised only to the extent taxable profits are not offset by the enhanced research and development deductions.

Notes to the financial statements
at 31 March 2017

13. **Property, plant and equipment**

	Plant and machinery	*Leasehold improvement*	*Office equipment*	*Computer equipment*	*Total*
	£	£	£	£	£
Cost:					
At 1 April 2015	657,685	-	1,219	32,378	691,282
Additions	144,768	-	-	36,996	181,764
At 31 March 2016	802,453	-	1,219	69,374	873,046
Additions	335,924	520,085	20,117	60,600	936,726
Disposals	(303,631)	-	-	(18,583)	(322,214)
At 31 March 2017	834,746	520,085	21,336	111,391	1,487,558
Accumulated depreciation:					
At 1 April 2015	464,311	-	1,219	18,828	484,358
Charge for the year	117,185	-	-	15,482	132,667
At 31 March 2016	581,496	-	1,219	34,310	617,025
Charge for the year	143,453	4,334	335	23,510	171,632
Disposals	(303,631)	-	-	(17,585)	(321,216)
At 31 March 2017	421,318	4,334	1,554	40,235	467,441
Net book value:					
At 31 March 2017	413,428	515,751	19,782	71,156	1,020,117
At 31 March 2016	220,957	-	-	35,064	256,021
At 31 March 2015	193,374	-	-	13,550	206,924

At 31 March 2017, the company had no contractual commitments for the acquisition of property, plant and equipment.

Notes to the financial statements
at 31 March 2017

14. Intangible assets

Cost:	*Product development costs* £	*Software costs* £	*Total* £
At 1 April 2015	246,204	-	246,204
Additions	685,267	-	685,267
At 1 April 2016	931,471	-	931,471
Additions	657,877	24,692	682,569
At 31 March 2017	1,589,348	24,692	1,614,040
Accumulated amortisation:			
At 1 April 2015	49,240	-	49,240
Charge for the year	106,504	-	106,504
At 1 April 2016	155,744	-	155,744
Charge for the year	106,505	4,210	110,715
At 31 March 2017	262,249	4,210	266,459
Net book value:			
At 31 March 2017	1,327,099	20,482	1,347,581
At 31 March 2016	775,727	-	775,727
As at 31 March 2015	196,964	-	196,964

The carrying amount and remaining amortisation period of intangible assets were as follows:

	Carrying amount £	*Remaining amortisation period in months* No.
Telecells	233,456	36
BaseStations	1,025,364	60
SmartBox	68,279	60
Software	20,482	32

Notes to the financial statements
at 31 March 2017

15. **Subsidiaries**

The details of the Company's subsidiaries at 31 March 2017 are as follows:

	Shares in subsidiary undertakings
	£
Cost	
At 31 March 2016	1
Additions	1
At 31 March 2017	2
Net book value:	
At 31 March 2017	2
At 31 March 2016	1

Subsidiary	Country of Incorporation	Percentage of equity held	Nature of business
Telensa Inc	USA	100%	Support activity
Telensa Singapore Pte Ltd	Singapore	100%	Support activity

16. **Inventories**

	2017	*2016*
	£	*£*
Raw materials	86,171	127,961
Work in progress	33,629	-
Finished goods and goods for resale	924,536	1,130,941
	1,044,336	1,258,902

During the year inventories with a total value of £9,615,503 (2016 - £5,258,067) were included in the statement of comprehensive income as an expense. During the year inventory includes a provision of nil (2016 - £6,038) for slow moving stock. £70,633 write off was expensed during the year (2016 - £75,488).

17. **Trade and other receivables**

	2017	*2016*
	£	£
Trade receivables	2,418,629	2,440,780
Amounts owed by group undertakings	1,263,173	530,767
Prepayments and accrued income	367,812	107,439
Other receivables	370,477	39,150
	4,420,091	3,118,136

Notes to the financial statements
at 31 March 2017

17. Trade and other receivables (continued)

All trade and other receivables are short term, have a maturity of six months or less and are non-interest bearing. No disclosure of fair value is required as the carrying amount is a reasonable approximation of fair value.

The credit period taken on sales of goods at the year-end is 39 days (2016 - 74 days). No interest is charged on the receivables. Trade receivables that are past due are provided for based on estimated irrecoverable amounts determined by reference to past default experience or if there is an indication that the amount of the receivable may be impaired.

The company is exposed to credit risk from the granting of trade credit for sales to customers. The company mitigates this credit risk by obtaining payments in advance from customers for orders for equipment.

Included in the company's trade receivables balance are debtors with a carrying amount of £889,486 (2016 - £1,188,939) which are past due at the reporting date for which the company has not provided as there has not been a significant change in the credit quality and the amounts are still considered recoverable. The company does not hold collateral over these balances.

Ageing of receivables is as follows:

	2017	*2016*
	£	£
Not yet due	1,529,143	1,251,841
1-60 days past due	812,093	1,073,937
More than 90 days past due	77,393	115,002
	2,418,629	2,440,780

An impairment loss of £12,699 (2016: £nil) was recognised during the year and a provision of £12,699 is set against trade receivables.

18. Cash and cash equivalents

	2017	*2016*
	£	*£*
Cash at bank and in hand	8,780,712	5,351,653

Notes to the financial statements
at 31 March 2017

19. **Trade and other payables**
Due within one year

	2017 £	2016 £
Trade payables	3,250,047	2,836,234
Accruals and deferred income	1,646,961	762,233
Other taxes and social security costs	156,667	657,971
Other payables	89,726	51,584
	5,143,401	4,308,022

20. **Borrowings**
Current

	2017 £	2016 £
Bank loan	1,000,000	333,333
Working capital facility	1,000,000	1,000,000
	2,000,000	1,333,333

Non-current

	2017 £	2016 £
Bank loan	1,666,667	1,166,667
	1,666,667	1,166,667

Bank loan
The bank loan is a debt facility. The first tranche of £1.5 million was drawn down in January 2016 bearing a fixed interest rate of 6% per annum. The second tranche of £1.5 million was drawn down on the 30 September 2016 bearing a fixed interest rate of 7% per annum.

Each tranche has an interest only period of 6 months, followed by repayment over 36 equal monthly payments of the principal plus accrued interest.

Working capital facility
The working capital line of credit provides a facility of up to £3 million. The company requested a £1 million draw down in March 2016 bearing an interest rate of Bank of England base rate plus 4.50% when above the streamline trigger of 1.35, and Bank of England base rate plus 5.00% when below the streamline trigger.

Notes to the financial statements
at 31 March 2017

21. **Provisions**

	Warranty Provision	Dilapidation Provision	Total Provision
	£	£	£
At 1 April 2016	21,538	-	21,538
Provision in the year	12,860	1,464	14,324
At 31 March 2017	34,398	1,464	35,862

The warranty provision represents management's best estimate of the company's liability under a 10 year warranty period granted on products, based on past experience for defective products.

The dilapidation provision represents management's best estimate of the company's liability in the current financial year and expect the total provision required at the end of the 10 year term to be £168,463, based on dilapidation requirements under the lease on the property. This is the first time the company has provided a dilapidation provision.

22. **Obligations under operating leases**

The Company leases a property and some office equipment under an operating lease. The future aggregate minimum lease payments are as follows:

	Minimum lease payment due			
Property	*Within 1 year*	*1 to 5 years*	*After 5 years*	*Total*
	£	£	£	£
31 March 2016	-	-	-	-
31 March 2017	129,383	1,013,496	1,153,661	2,296,540
	129,383	1,013,496	1,153,661	2,296,540

	Minimum lease payment due			
Office equipment	*Within 1 year*	*1 to 5 years*	*After 5 years*	*Total*
	£	£	£	£
31 March 2016	-	-	-	-
31 March 2017	8,318	15,944	-	24,262
	8,318	15,944	-	24,262

Lease expenses during the period amounts to £109,002 (2016: £nil), representing the minimum lease payments.

The company took out a new lease on a property in September 2016 over a term of 10 years with an option to break on the third anniversary and sixth anniversary of the lease.

The office equipment has a term of 3 years.

Notes to the financial statements
at 31 March 2017

23. **Taxation**

Deferred taxation

	2017 £	*2016* £
At beginning of year	43,261	42,726
(Credit)/Charge for year	(43,261)	535
At end of year liability	-	43,261

The deferred taxation balance is made up as follows:

	2017 £	*2016* £
Tax losses	-	-
Excess of depreciation over capital allowances	-	49,179
Other short term temporary differences	-	(5,918)
At end of year liability	-	43,261

No deferred tax asset is recognised at 31 March 2017 for share option deductions and trading losses given the availability of enhanced research and development spend deductions.

Current tax

	2017 £	*2016* £
Current tax liability	-	11,481
	-	11,481

Current tax debtor

	2017 £	*2016* £
R&D tax claim for prior years	744,808	-
	744,808	-

Notes to financial statements
at 31 March 2017

24. **Share capital**

	2017	2016
Called up, allotted, paid:	£	£
1,000,000 (2016 – 1,000,000) A ordinary shares of £0.0001 each	100	100
31,500 (2016 – 31,500) B ordinary shares of £0.0001 each	3	3
	103	103

	2017	2016
Total shares authorised at 31 March	1,031,500	1,031,500

The company is a 100% owned subsidiary of Telensa Holdings Limited.

The A ordinary shares carry voting rights and the right to receive a dividend. The B ordinary shares carry no voting rights and no right to receive a dividend other than with the written approval of the A ordinary shareholders but rank pari passu with holders of the A ordinary shares in all other respects.

25. **Capital contribution**
The amount of £4 million represents a permanent capital contribution by the parent company Telensa Holdings Limited following completion of a funding round in December 2015. In making its judgement management consider that this be treated as a capital contribution to reserves instead of an intercompany loan, on the basis that no repayment terms are in place.

26. **Share based payments**
The company has applied the requirements of IFRS2. The company issues equity settled share based payments to certain employees over shares of its parent company Telensa Holdings Limited. Equity settled share based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value at the grant date of the equity settled share based payment is expensed on a straight- line basis over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Fair value is measured by use of a Black-Scholes model. The expected life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Notes to financial statements
at 31 March 2017

26. Share based payments (continued)

Details of share options granted and outstanding during the year are as follows:

	No. of share options	*2017 Weighted average exercise price £*
Outstanding at the beginning of the year	-	-
Granted during the year	9,647,546	£0.13
Forfeited during the year	-	-
Exercised during the year	-	-
Outstanding at the end of the year	9,647,546	£0.13
Exercisable at the end of the year	4,493,873	£0.13

Model assumptions were:	*Year of grant 2017*
Fair value on grant date:	
Price per share pence	£0.39
Exercise price pence	£0.13
Expected volatility	61%-63%
Option life in years	5
Expected dividends	-
Risk free rate (based on gilt issuance yields)	2.08%

Expected volatility was determined by calculating the historic volatility of a number of comparator companies' share prices over a 12 month period ahead of the date of grant.

The company recognised total expenses of £1,475,403 related to equity settled share based payment transactions in 2017 (2016: £nil).

27. Pensions

The company operates a defined contribution plan, whereby 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 contributions have been paid. The contributions are recognised as employee benefit expense when they are due. At the end of the financial year there was an outstanding balance of £76,355 (2016: £32,876).

Notes to financial statements
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28. **Related party transactions**

Transactions with Telensa Holdings Limited

Following completion of a funding round in December 2015, £4 million, representing a permanent capital contribution, by the parent company Telensa Holdings Limited was received. An amount of £242,627 (2016: £150,459) was owed by Telensa Holdings Limited as at the year-end in relation to costs incurred by Telensa Holdings Limited, settled by Telensa Ltd.

	2017 £	*2016* £
Administrative expenses at cost	89,632	18,274
	89,632	18,274

Transactions with Telensa Inc

An amount of £944,370 (2016: £380,307) was owed by Telensa Inc, a subsidiary, as at the year-end in relation to costs incurred by Telensa Inc, settled by Telensa Ltd.

	2017 £	*2016* £
Administrative expenses at cost	537,706	364,243
	537,706	364,243

Transactions with Telensa Singapore Pte Ltd

An amount of £76,176 (2016: nil) was owed by Telensa Singapore Pte Ltd, a subsidiary, as at the year-end in relation to costs incurred by Telensa Singapore Pte Ltd, settled by Telensa Ltd.

	2017 £	*2016* £
Administrative expenses at cost	76,176	-
	76,176	-

Transactions with Plextek Limited

Related parties disclosure required by virtue of a common directorship of Timothy Jackson. Transactions during the year included: -

	2017 £	*2016* £
Inventory purchased at cost	165,268	2,989,391
Other expenses purchased at cost	513,197	90,417
Purchases of goods & services	413,919	2,446,280
	1,092,384	5,526,088

At 31 March 2017, Telensa Limited owed Plextek Limited £32,543 (2016: £484,392) and Plextek Services Limited £279,516 (2016: £90,000) in relation to these transactions.

Notes to financial statements
at 31 March 2017

28. **Related party transactions (continued)**

Transactions with Redtail Telematics Limited

Related parties disclosures required by virtue of a common directorship of Timothy Jackson. Transactions during the year included:

	2017	*2016*
	£	£
Purchases of connectivity SIMs	110,774	-
	110,774	-

At 31 March 2017, Telensa Limited owed Redtail Telematics Limited £7,728 (2016: £nil) in relation to these transactions.

Remuneration of key management personnel

The remuneration of the directors of the company is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures. Key management are considered to be the directors.

	2017	*2016*
	£	*£*
Emoluments	313,109	289,216
Employers National Insurance	21,439	40,980
Pension contributions	9,677	25,838
IAS 19 employee benefit (holiday accrual)	4,615	8,501
	348,840	364,535

29. **Ultimate parent undertaking and controlling party**

The immediate and ultimate parent company and controlling party is Telensa Holdings Limited, a company incorporated in the UK whose principal place of business is Iconix 3, London Road, Pampisford, Cambridge, CB22 3EG.

Telensa Ltd is a 100% owned subsidiary of Telensa Holdings Limited. Telensa Ltd has three further subsidiaries Telensa Inc, Telensa Singapore Pte Ltd and Telensa Systems Pty Ltd which are 100% owned by Telensa Ltd.

Telensa Systems Pty Ltd is an Australian subsidiary was incorporated in June 2017.

30. **Financial instruments**

Financial assets and financial liabilities

The company's financial assets and liabilities consist of trade receivables and other current receivables, trade payables, borrowings and other current liabilities, which approximate their carrying amounts largely due to the short-term maturities of these instruments. Unless noted, the company has no other financial instruments. Financial assets and liabilities are included in the financial statements at amortised cost, which is considered to be the amount at which the instrument could be exchanged in a current transaction between willing parties other than in a forced liquidation or sale.

Liquidity risk management

The primary objectives of the company's capital management are to ensure that the company maintains strong credit ratings, manages its cash flow and receivables and to maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

Notes to financial statements
at 31 March 2017

30. **Financial instruments (continued)**

Credit risk is the risk that the counterparty will fail to discharge its obligation. The company's principal financial assets are cash, trade and other receivables, which represent the company's maximum exposure to credit risk in relation to financial assets. The company's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on the trading relationship, prior experience and their assessment of the current economic environment. New customers are subject to an initial credit assessment using external credit reference agencies (where appropriate) and trade references are confirmed (where necessary). These credit limits are reviewed on an on-going basis and subject to senior management oversight. The payment position of past due trade receivables is monitored daily and actively managed.

The company's borrowings expose the business to limited interest rate risk. The policies for managing these risks are regularly reviewed and agreed by the Board. The company does not trade in financial instruments.

Significant Accounting Policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 3 to the financial statements.

Interest rate risk

The interest rate profile of the company's interest bearing financial assets and liabilities is as follows:

As at 31 March 2016	*Asset Floating rate*	*Liabilities Floating rate*	*Liabilities Fixed rate*	*Total*
	£	£	£	£
Cash at bank	5,351,653	-	-	5,351,653
Borrowings	-	1,000,000	1,500,000	2,500,000
Total	5,351,653	1,000,000	1,500,000	7,851,653

As at 31 March 2017	*Asset Floating rate*	*Liabilities Floating rate*	*Liabilities Fixed rate*	*Total*
	£	£	£	£
Cash at bank	8,780,712	-	-	8,780,712
Borrowings	-	1,000,000	2,666,667	3,666,667
Total	8,780,712	1,000,000	2,666,667	12,447,379

Sensitivity analysis

A favourable change of 1 basis point in interest rates at the statement of financial position date would have no material impact. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

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at 31 March 2017

30. **Financial instruments (continued)**

Foreign currency risk

During the period under review the company entered into a number of transactions with overseas customers in currencies other than sterling. The company will continue to monitor any exposure to foreign exchange risk and manage it accordingly.

Foreign currency denominated financial assets (receivables and cash) and liabilities (being trade and other payables) that expose the group to current risk are disclosed within the table below:

All amounts originally expressed in USD	*2017* £	*2016* £
Financial assets	4,426,247	845,014
Financial liabilities	1,873,752	1,933,289

Sensitivity analysis

A 10 (ten) per cent strengthening of the following currency against the pound sterling at 31 March 2017 would have increased / (decreased) profit by the amounts shown below. Ten per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. This calculation assumes that the change occurred at the statement of financial position date and had been applied to risk exposures existing at that date. This analysis assumes that all other variables, in particular other exchange rates and interest rates, remain constant. The analysis is performed on the same basis for 31 March 2016.

Profit and loss and equity impact if the GBP had strengthened by 10 (ten) per cent against the USD:

	2017 £	*2016* £
Profit for the year	283,611	98,934
Equity	283,611	98,934

Profit and loss and equity impact if the GBP had weakened by 10 (ten) per cent against the USD:

	2017 £	*2016* £
Profit for the year	(232,045)	(120,919)
Equity	(232,045)	(121,919)

Liquidity risk

It is currently the company's policy to finance its business by means of equity, a working capital facility and bank loan. The cash position of the company is regularly reviewed by the Board.

The use of instant access deposits ensures sufficient working capital is available at all times. Sterling denominated borrowings bear interest at rates related to the sterling base rate.

Notes to financial statements
at 31 March 2017

30. **Financial instruments (continued)**

Liquidity risk (continued)

At 31 March 2017, the only fixed rate financial liabilities held was in respect of the bank loan.

All are due within six months	*2017*	*2016*
	£	*£*
Trade payables	3,250,047	2,836,234
Other payables	1,060,367	487,464
Current borrowings	500,000	83,333
Total	4,810,414	3,407,031

Due between six months and a year	*2017*	*2016*
	£	*£*
Current borrowings	1,500,000	1,250,000
Due between a year and 5 years		
Non-current borrowings	1,666,667	1,166,667

31. **Summary of financial assets and liabilities by category**

Fair values of financial assets and liabilities

There are no material differences between the fair values of any of the company's financial assets or liabilities and their book values at the statement of financial position date. The carrying amounts of the financial assets and liabilities as recognised at the statement of financial position date of the years under review may also be categorised as follows:

	2017	2016
	£	£
Loans and receivables measured at amortised cost:		
Cash and cash equivalents	8,780,712	5,351,653
Trade and other receivables, excluding taxation receivables and prepayments	3,992,566	3,010,697
	12,773,278	8,362,350
Financial liabilities measured at amortised cost:		
Trade and other payables	4,310,414	3,323,698
Borrowings	3,666,667	2,500,000
	7,977,081	5,823,698

Notes to financial statements
at 31 March 2017

32. **Capital management policies and procedures**

The primary objectives of the company's capital management are to ensure that the company maintains strong credit ratings, manages its cash flow and receivables and to maintain healthy capital ratios in order to support its business and to maximise shareholders' value.

The company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position.

	2017 £	2016 £
Capital		
Total equity	8,511,717	3,876,138
Less cash and cash equivalents	(8,780,712)	(5,351,653)
	(268,995)	(1,475,515)
Overall financing		
Total equity	8,511,717	3,876,138
Plus borrowings	3,666,667	2,500,000
	12,178,384	6,376,138

Throughout the year, management constantly monitors levels of capital and at all times there were sufficient funds to manage the business.