

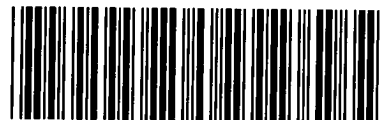
Adare SEC Holdings Limited

**Annual Report and consolidated
financial statements**

Year ended 31 October 2019

Registered in England under number: 10827606

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Adare SEC Holdings Limited

Directors' report and financial statements

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Adare SEC Holdings Limited

Directors and other information

Directors

J.C.M. Woolley
R.R. Nevins
N. Gaydon
C.A.P. Dickson

Registered office

Park Mill
Wakefield Road
Clayton West
Huddersfield
England
HD8 9QQ

Independent auditors

PricewaterhouseCoopers LLP
Central Square
29 Wellington Street
Leeds
LS1 1DL

Bankers

HSBC Bank plc
City Branch
33 Park Row
Leeds
LS1 4LD

Solicitors

Squire Patton Boggs (UK) LLP
6 Wellington Place
Leeds
LS1 4AP

Registered number

10827606

Adare SEC Holdings Limited

Strategic report

The directors present their strategic report for the year ended 31 October 2019.

Principal activities, review of business and future developments

The company is an investment holding company. The directors have no plans to change the principal activities of the company in the foreseeable future.

Adare SEC is a leading provider of technology-led integrated communication solutions via multiple channels. As a trusted partner, Adare SEC consults with clients enabling them to maximise the effectiveness of their communications. It prides itself on compliance and integrity, evidenced by the suite of certifications across its three sites. The directors have no plans to change the principal activities of the company in the foreseeable future.

Adare SEC operates from three secure locations across the UK, employing over 430 employees and works with household names across a number of market sectors, public sector clients and regulated businesses.

The subsidiary undertakings of the group at 31 October 2019 are shown in note 22 to the financial statements.

Market Overview

The market for the outsourcing of communication activities continues to grow as companies look to focus on their core business offering and choose to outsource activities, such as communications from an expertise, cost effectiveness and security point of view. Adare SEC has identified six key markets that it is active in and where it is already partnered with one or many of the market leaders.

The market is going through change. There is a significant shift in the communication channels utilised by many companies; those that previously relied upon paper-based communications being sent via post, are now exploring digital alternatives as an additional channel. Adare SEC's offering enables its clients to send communications to their end consumers via one or many channels such as post, email, SMS and ePresentment, an offering that many traditional competitors are unable to offer. Clients are also able to tailor the same communication to be sent by different channels based on their individual consumer's requests.

There is also a demand for the secure digital storage of documents, an area where Adare SEC has, and continues to invest. With the introduction of GDPR, and other regulations becoming ever stricter, businesses are looking to outsource the secure storage of their digital documents, mitigating the risk of non-compliance, with the added convenience of also being able to quickly access documents on-demand when required. Adare SEC provides this solution and securely stores millions of documents for many of its clients, including some large UK banks.

As Adare SEC continues to innovate and develop the proposition from a digital perspective, coupled with planned investment, it will bring new products to its markets with a compelling genuinely integrated proposition.

Impeccable customer service and delighting every client remains critical to us and this year Adare SEC for the first time has undertaken a business benchmarking exercise with the Institute of Customer Service (ICS) involving 79 of its clients. The results showed Adare SEC ahead of the UK all sector average by 7% and ahead of the UK banks and building societies sector average by 3%.

Adare SEC Holdings Limited

Strategic report (continued)

Performance

The demerger of the Adare Group in 2017 enabled Adare SEC to focus on its core strengths and positively address operational efficiency at a detailed level which it is doing at pace. The benefits of those improved efficiencies and tight cost control are now benefitting the 2019 financial performance with underlying operating profit increasing by almost £2.0m vs the prior year.

Revenue for the year was higher than the prior year by £1.7m and 2.4%. The company is also rationalising and focusing its product offering to position itself for the future with a focus on integrated, technology-led services. Cost of sales, administration and other costs (excluding exceptional costs) were lower by £0.3m despite the direct costs associated with increased production and the effects of implementing the national living wage.

The group returned an underlying operating profit in the year of £2,328,000 excluding exceptional items of £847,000 (2018: £3,620,000) and amortisation of acquired intangible assets (customer relationships and accreditations of £2,338,000) against a comparable underlying operating profit figure of £338,000 in the year ended 31 October 2018. EBITDA (which the group uses to measure profitability) increased by £1,855,000 on the prior year.

Pleasingly, cash inflow from operating activities of £3.3m was ahead of the £2.9m recorded in the previous year.

As at 31 October 2019 the group has net liabilities of £16,549,000 (2018: liabilities £18,558,000) with the decrease in the year reflecting reduced current liabilities and borrowings.

Strategic Development and Outlook

The Adare SEC Board recognises the need for continued investment in its infrastructure, people and technology and approved a three-year strategic business plan in 2018 for the three financial years ending on 31 October 2021. The business plan proposes to increase investment in technology-led services for clients, further improve operational efficiencies, and develop the company's people and skills to embed its position as a leading provider of Integrated Communication solutions, inspiring clients with choice and insight to deliver their vital message securely. As part of the long-term strategy, the company has invested this year in upgrading and re-organising its Redditch facility, transforming its support services and completed the closure of its facility in Guildford with the transfer of equipment and clients to its Nottingham plant delivering further operational benefits. As part of our commitment to our people Adare SEC has begun the process to qualify as one of the Sunday Times' 100 Best Companies in the UK.

Risks and uncertainties

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

Economic risk

- The risk of increased interest rates and/or inflation having an adverse impact on our markets; and
- The risk of increases in raw materials and operational costs impacting adversely on competitiveness of the group and its principal customers;

These risks are managed by the use of alternative sources of key products and services and robust cost control, together with close relationships with suppliers.

Adare SEC Holdings Limited

Strategic report *(continued)*

Risks and uncertainties *(continued)*

Competition risk

The Directors of the company manage competitor risk through close attention to client needs and customer service levels. Regular internal research is conducted to ensure Adare SEC's proposition is ahead of the competition and a proposition development meeting is held every month to ensure Adare SEC continues to innovate.

The majority of Adare SEC's clients are party to contracts with Adare SEC and throughout the contracted period Adare SEC provides excellent customer service, resulting in a high client retention rate.

Financial risk

The group has budgetary and financial reporting procedures, supported by appropriate key performance indicators, to manage credit, liquidity and other financial risk. Further detail has been provided in note 1.

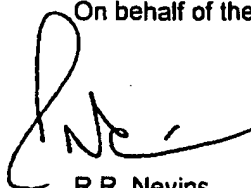
Key performance indicators

Key performance indicators which are focused on by management include:

- daily sales/gross margin reports analysed by division, customer, sales person and product;
- daily cash/bank reports;
- weekly cashflow forecasts;
- monthly management accounts showing divisional trading results, detailed overhead expenses, balance sheet and cash flow reports;
- monthly variance reports analysing sales, gross margin, 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. The indicators are also monitored against prior periods.

On behalf of the board



R.R. Nevins
Director

13 March 2020

Adare SEC Holdings Limited

Directors' report

The directors present their report and audited consolidated financial statements for the year ended 31 October 2019.

Results and dividends

The consolidated income statement for the year ended 31 October 2019 is set out on page 12. The directors do not recommend the payment of a dividend in respect of the financial year (2018: £nil).

Future developments of the group have been considered within the Strategic Report.

Directors and secretary

The directors during the year and up to the date of signing the financial statements are disclosed on page 1.

On 29 January 2019, N. Gaydon was appointed as a director and on 27 June 2019, C.A.P. Dickson was appointed as a director.

Directors' and company secretary's interests

The interests of the directors and the company secretary in office at 31 October 2019 and 31 October 2018, including the interests of their spouse and minor children in the share capital and loan notes of Adare SEC Holdings Limited were as follows:

Name of Director	Description of Instrument	31 October 2019 Number	31 October 2018 Number
R.R. Nevins	Ordinary shares of £1 each	895	-
	C ordinary shares of £1 each*	-	397
	D2 ordinary shares of £1 each*	-	420
N. Gaydon (appointed in year)	Ordinary shares of £1 each	288	-

* B, C, D1 and D2 ordinary shares of £1 each were converted to ordinary shares of £1 each on 31 May 2019.

None of the directors or the secretary had any other beneficial interest in other group companies.

Going concern

After making enquiries, the directors have a reasonable expectation that both the company and the group as a whole, have adequate resources to continue in operational existence for the foreseeable future. In addition, the investors, Endless III General Partner LLP have indicated that they will continue to support the group for a period of at least twelve months from the date of this report. Therefore, they continue to adopt the going concern basis in preparing these financial statements for the period of twelve months from the date of this report.

Financial risk is disclosed in the strategic report with additional details in note 1 to the financial statements.

Adare SEC Holdings 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 briefings
- Notice boards
- Regular meetings with the union; and
- 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.

The group does not have or operate an employee share scheme, however all employees participate in an annual bonus scheme which is linked to EBITDA and cash performance.

Bi-monthly, one of the Exec members runs briefings for all our employees across all three sites and all three shifts. These cover a business update on financial and other metrics along with whatever other matters maybe of interest or concern. Questions are also taken, either raised in advance or during the meetings. In addition the CEO sends out a monthly newsletter and HR send out a weekly "What-On" / news update to all employees.

Branches within the EU

The group has no branches or subsidiaries in the EU.

Directors' indemnities

Directors' and officers' insurance cover has been established for all directors to provide appropriate cover for their reasonable actions on behalf of the company and group. The indemnities, which constitute a qualifying third-party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the 2019 financial year and remain in force for all current and past directors of the company and group.

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.

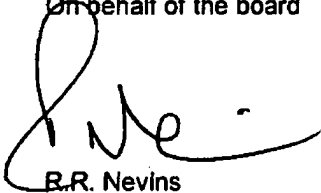
Adare SEC Holdings Limited

Directors' report (*continued*)

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

A handwritten signature in black ink, appearing to be 'R. Nevins', written over a horizontal line.

R.R. Nevins
Director

13 March 2020

Adare SEC Holdings 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 group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and company 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 of the group and company and of the profit or loss of the group and 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 IFRSs as adopted by the European Union have been followed for the group financial statements and IFRSs as adopted by the European Union have been followed for the company financial statements, 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 group and company will continue in business.

The directors are also responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

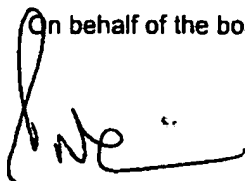
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

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

On behalf of the board



R.R. Nevins
Director

13 March 2020

Adare SEC Holdings Limited

Independent auditors' report to the members of Adare SEC Holdings Limited

Report on the audit of the financial statements

Opinion

In our opinion, Adare SEC Holdings Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 October 2019 and of the group's loss and the group's and the company's cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; 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 consolidated financial statements (the "Annual Report"), which comprise: the consolidated and company balance sheets as at 31 October 2019; the consolidated income statement and consolidated statement of comprehensive income, the consolidated and company cash flow statements, and the consolidated and company statements 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.

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 group 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.

Conclusions relating to going concern

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 group's and 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern. For example, the terms of the United Kingdom's withdrawal from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Adare SEC Holdings Limited

Independent auditors' report to the members of Adare SEC Holdings Limited

(continued)

Report on the audit of the financial statements (continued)

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 2019 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 group and company and their 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 8, 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 group's and 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 group or 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. 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.

Adare SEC Holdings Limited

Independent auditors' report to the members of Adare SEC Holdings Limited
(continued)

Report on the audit of the financial statements (continued)

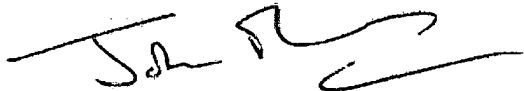
Other required reporting

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 company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds
13 March 2020

Adare SEC Holdings Limited

Consolidated income statement for the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
Revenue	2	71,417	69,729
Cost of sales		(57,211)	(58,009)
Gross profit		14,206	11,720
Distribution expenses		(1,394)	(1,510)
Administrative expenses			
including exceptional items of £847,000 (2018: £3,620,000)	3	(11,331)	(13,492)
Amortisation of acquired intangible assets	10	(2,338)	(2,338)
Operating loss		(857)	(5,620)
Analysed as:			
Underlying operating profit		2,328	338
Amortisation of acquired intangible assets		(2,338)	(2,338)
Exceptional items		(847)	(3,620)
Loss on disposal of fixed assets	9	(8)	(3)
Loss before interest and taxation		(865)	(5,623)
Finance costs	6	(2,076)	(2,516)
Loss before income taxation	7	(2,941)	(8,139)
Income tax credit	8	118	86
Loss for the year		(2,823)	(8,053)

Adare SEC Holdings Limited

Consolidated statement of comprehensive income for the year ended 31 October 2019

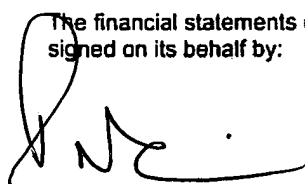
	<i>Note</i>	2019 £'000	2018 £'000
Loss for the year		(2,823)	(8,053)
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain on post-employment pension schemes	19	697	451
Movement on deferred tax arising thereon	18	(118)	(86)
		<hr/>	<hr/>
Total other comprehensive income, net of tax		579	365
		<hr/>	<hr/>
Total comprehensive expense for the year		(2,244)	(7,688)
		<hr/> <hr/>	<hr/> <hr/>

Adare SEC Holdings Limited

Consolidated balance sheet as at 31 October 2019

	Note	2019 £'000	2018 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	8,877	10,773
Intangible assets	10	13,006	15,618
Post-employment benefits	19	1,269	320
Deferred income tax assets	18	974	974
		<u>24,126</u>	<u>27,685</u>
Current assets			
Inventories	12	2,069	2,050
Trade and other receivables	14	8,671	11,278
Cash and cash equivalents	15	1,361	1,113
		<u>12,101</u>	<u>14,441</u>
Total assets		<u>36,227</u>	<u>42,126</u>
Equity and Liabilities			
Equity attributable to owners of the parent			
Ordinary shares	23	12	12
Share premium accounts		90	90
Capital restructure reserve		13,501	13,501
Other reserve		4,253	-
Accumulated losses		(34,405)	(32,161)
Total equities		<u>(16,549)</u>	<u>(18,558)</u>
Liabilities			
Non-current liabilities			
Borrowings	17	33,644	37,949
Provisions for other liabilities and charges	20	100	491
		<u>33,744</u>	<u>38,440</u>
Current liabilities			
Trade and other payables	16	13,252	16,683
Borrowings	17	5,780	5,561
		<u>19,032</u>	<u>22,244</u>
Total liabilities		<u>52,776</u>	<u>60,684</u>
Total equity and liabilities		<u>36,227</u>	<u>42,126</u>

The financial statements on pages 12 to 57 were approved by the board of directors on 13 March 2020 and signed on its behalf by:



R.R. Nevins
Director
Registered number 10827606

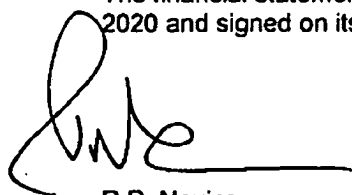
Adare SEC Holdings Limited

Company balance sheet as at 31 October 2019

	<i>Note</i>	2019 £'000	2018 £'000
Assets			
Non-current assets			
Investments in subsidiary undertakings	11	102	102
		<u>102</u>	<u>102</u>
Current assets			
Trade and other receivables	14	-	-
		<u>-</u>	<u>-</u>
Total assets		<u><u>102</u></u>	<u><u>102</u></u>
Equity			
Equity attributable to owners of the parent			
Ordinary shares	23	12	12
Share premium accounts		90	90
Retained earnings		-	-
		<u>102</u>	<u>102</u>
Total shareholders' funds		<u><u>102</u></u>	<u><u>102</u></u>
Total equity		<u><u>102</u></u>	<u><u>102</u></u>

The company made neither a profit nor a loss during the year.

The financial statements on pages 12 to 57 were approved by the board of directors on 13 March 2020 and signed on its behalf by:



R.R. Nevins
Director

Registered number 10827606

Adare SEC Holdings Limited

Consolidated and company statements of changes in equity for the year ended 31 October 2019

Group

	Ordinary shares £'000	Share premium accounts £'000	Capital restructure reserve £'000	Other reserve £'000	Accumulated losses £'000	Total £'000
Balance at 1 November 2017	12	90	13,501	-	(24,473)	(10,870)
Loss for the financial year	-	-	-	-	(8,053)	(8,053)
Other comprehensive income	-	-	-	-	365	365
Total comprehensive expense for the year	-	-	-	-	(7,688)	(7,688)
Balance at 31 October 2018	12	90	13,501	-	(32,161)	(18,558)
Loss for the financial year	-	-	-	-	(2,823)	(2,823)
Other comprehensive income	-	-	-	-	579	579
Total comprehensive expense for the year	-	-	-	-	(2,244)	(2,244)
Capital contribution	-	-	-	4,253	-	4,253
Balance at 31 October 2019	12	90	13,501	4,253	(34,405)	(16,549)

Company

	Ordinary shares £'000	Share premium £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2018 and at 31 October 2019	12	90	-	102

The capital restructure reserve arose on the reorganisation and demerger of the Hamsard 3350 Limited group.

The other reserve arose in the current year on the waiver of interest accrued on loan notes held by Endless III General Partner LLP.

Adare SEC Holdings Limited

Consolidated and company cash flow statement for the year ended 31 October 2019

		2019	Group	2018	Company
	Note	£'000		£'000	2019 & 2018
					£'000
Cash flows from operating activities					
Cash generated from continuing operations	25	3,277		2,883	-
		<hr/>		<hr/>	<hr/>
Net cash generated from operating activities		3,277		2,883	-
		<hr/>		<hr/>	<hr/>
Cash flows from investing activities					
Purchase of property, plant and equipment		(1,067)		(410)	-
Purchase of intangible assets		(160)		(240)	-
Proceeds from sale of property, plant and equipment		26		735	-
		<hr/>		<hr/>	<hr/>
Net cash (used in)/generated from investing activities		(1,201)		85	-
		<hr/>		<hr/>	<hr/>
Cash flows from financing activities					
Interest paid		(698)		(832)	-
Net movement in invoice finance loan		14		(37)	-
Repayment of bank loans		(651)		(651)	-
Repayment of finance lease liabilities		(1,493)		(1,691)	-
Proceeds from issue of loan notes		1,000		400	-
		<hr/>		<hr/>	<hr/>
Net cash used in financing activities		(1,828)		(2,811)	-
		<hr/>		<hr/>	<hr/>
Net increase in cash and cash equivalents		248		157	-
Cash and cash equivalents at beginning of year		1,113		956	-
		<hr/>		<hr/>	<hr/>
Cash and cash equivalents at end of year		1,361		1,113	-
		<hr/>		<hr/>	<hr/>

Adare SEC Holdings Limited

Notes

forming part of the consolidated financial statements

1 Accounting policies

General information

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

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation and going concern

The financial statements of Adare SEC Holdings Limited have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

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

The group meets its day-to-day working capital requirements through its bank facilities. The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group should be able to operate within the level of its current facilities. Having assessed the principal risks the directors considered it appropriate to adopt the going concern basis of accounting in preparing its consolidated financial statements. Further information on the group's borrowings is given in note 17.

Going concern

The directors have received confirmation that the controlling party Endless III General Partner LLP in its capacity as manager of various investment funds (which is also the ultimate controlling shareholder of the company and group) intends to provide or arrange for the provision of financial support to the company and group should this be so required in order to meet its reasonably incurred obligations.

After making enquiries, the directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future which is based on this continued financial support. The company and group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company and group should be able to meet its liabilities as they fall due. The company and group therefore continues to adopt the going concern basis in preparing its consolidated financial statements for the period of twelve months from the date of this report.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Any contingent consideration to be transferred by the group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group's accounting policies.

(b) Disposal of subsidiaries

When the group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Foreign currency

(a) Functional and presentation currency

Items included in the financial statements of each of the group's subsidiary undertakings are measured using the currency of the primary economic environment in which each entity operates ('the functional currency'). The consolidated financial statements are presented in 'Pound Sterling' (£), which is the group's presentation currency.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Foreign currency (continued)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation. Balances held in foreign currency at the year end are translated at year-end exchange rates. Foreign exchange gains and losses resulting from the settlement of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in the income statement.

(c) Group undertakings

The results and financial position of all the group subsidiary undertakings (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (b) income and expenses for each income statement are translated at average exchange rates; and
- (c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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 group 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.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Property, plant and equipment (continued)

Freehold 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:

Assets in the course of construction	0%
Leasehold premises	10% or over the lease term
Additions to leasehold premises	5%
Freehold land and buildings	2%
Improvements to freehold buildings	4% to 10%
Equipment, plant and machinery	10% to 30%

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

Property held for resale

Property held for resale is revalued annually and not depreciated or amortised. Any gain or loss as a result of the revaluation is charged to the income statement. The property was sold in the previous financial year.

Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired. If the total of consideration transferred is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the CGUs, or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the internal operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the cash-generating unit (CGU) containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Customer relationships and accreditations

Customer relationships and accreditations in a business combination are recognised at fair value at the acquisition date. These have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of customer relationships over six years and accreditations over five years.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Intangible assets (continued)

(c) Computer licenses and software

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 on a straight line basis over their estimated useful lives of three to seven years.

Costs associated with maintaining computer software programmes, which are utilised within the business 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 group 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 on a straight line basis over their estimated useful lives, which does not exceed seven years.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Financial assets

The group classifies its financial assets in the following categories: loans and receivables, and properties held for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognised the date on which the group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

The impact of IFRS 9 "Financial Instruments" and IFRS 15 "Contracts" has been assessed as at 31 October 2019 and the impact on these financial statements is immaterial.

Inventories

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 Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in 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.

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.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Current and deferred income tax

The tax expense for the year comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Current and deferred income tax (continued)

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for any deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Employee benefits

The group operates various post-employment schemes, including both defined benefit and defined contribution pension plans and post-employment medical plans.

(a) Pension obligations

A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group 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.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Employee benefits (continued)

(a) Pension obligations (continued)

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 the income statement.

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

(b) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates:

- (a) when the group can no longer withdraw the offer of those benefits; and
- (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Provisions

Provisions for dilapidations, restructuring costs and legal claims are recognised when: the group 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.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity. The group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement. Revenue is stated after deducting rebates, returns and other similar discounts, and is exclusive of value added tax.

In the case of goods supplies, 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.

Services can form an integral part of the solutions provided to customers. The value attributed to services is determined through prices agreed prior to the commencement of the work with the customer. Where there are retained customer arrangements and a range of services are provided, the revenue for each separate service is recognised when all the elements of that service are complete, with amounts billed or received but not recognised, accrued or deferred on the balance sheet as appropriate.

The impact of IFRS 15 "Contracts" has been assessed as at 31 October 2019 and the impact on these financial statements is immaterial.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Leases

Leases in which the group does not retain a significant portion of the risks and rewards of ownership are operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

The group leases certain property, plant and equipment. Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount, or that are irregular.

Capital management

The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

As the group is restricted under its lending agreements from returning capital and payment of dividends, capital management is principally through monitoring of the net debt as both lenders and investors monitor the level of this in comparison to the results of the business. Net debt (excluding unamortised finance costs) is as follows:

	2019 £'000	2018 £'000
Cash and cash equivalents	1,361	1,113
Bank loans	(12,388)	(13,038)
Invoice finance loan	(3,575)	(3,561)
Loan notes	(19,125)	(18,125)
Finance lease liabilities	(3,008)	(4,368)
	<hr/>	<hr/>
	(36,735)	(37,979)
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group may use derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance department under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units.

(a) Market risk

Cash flow and fair value interest rate risk

The group's interest rate risk arises from both short-term and long-term borrowings. Borrowings issued at variable interest rates expose the group to cash flow interest rate risk. The group reviews its exposure to interest rate risk and considers the use of floating rate to fixed rate interest swaps where appropriate. As at 31 October 2019 the group had no interest rate swaps outstanding.

(b) Credit risk

Credit risk is managed on a group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new clients before payment and delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, and deposits with banks and financial institutions, as well as credit exposures to business customers, including outstanding receivables and committed transactions. If business customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored.

(c) Liquidity risk

Cash flow forecasting is performed for a 33 week period in the operating entities of the group and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements & reserves (comprising the undrawn borrowing facilities below) and cash and cash equivalents (note 15) to ensure it has sufficient cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans and covenant compliance.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Financial risk management (continued)

i) Financing arrangements

The group has access to the following undrawn borrowing facilities at the end of the reporting period:

	2019 £'000	2018 £'000
Expiring beyond one year (invoice finance facility)	2,425	2,439

The invoice financing facility can be drawn at any time (if supported by relevant sales invoices and ledger balances). The facility can not be terminated before 31 May 2022 and is subject to three months' notice.

ii) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities. There are no derivative financial instruments.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balance, because the impact of discounting is not significant.

Contractual maturities of financial liabilities	Less than 6 months £'000	6 – 12 months £'000	Between 1 and 2 years £'000	Between 2 and 5 years £'000	Over 5 years £'000	Total contractual cash flows £'000	Carrying amount liabilities £'000
At 31 October 2019							
Non-derivative							
Trade payables	8,671	-	-	-	-	8,671	8,851
Borrowings (excluding finance leases)	434	434	868	34,922	-	36,658	36,416
Finance lease liabilities	776	762	1,521	121	-	3,180	3,008
Total non-derivatives	9,881	1,196	2,389	35,043	-	48,509	48,275

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Critical accounting estimates and judgements

The group 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. Details of the value of property, plant and equipment is set out in note 9.

(b) Impairment of trade receivables

The group 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. The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. See note 14 for the net carrying amount of the receivables and associated impairment provision.

(c) Defined benefit pension scheme

The group 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. The value of the defined benefit pension scheme liability is set out in note 19.

(d) Fair value of intangible assets on acquisition

The group makes an estimate of the fair value of intangible assets on acquisitions. When assessing these values management uses external professional advisors to assist with the calculation and their UELs.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

Critical accounting estimates and judgements (continued)

(e) Impairment of intangible assets and goodwill

Annually, the group considers whether intangible assets and/or goodwill are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of the cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows. See note 10 for the net carrying amount of the receivables and associated impairment provision.

New and amended standards adopted by the group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 November 2018:

- IFRS 9, 'Financial Instruments';
- IFRS 15, 'Revenue from Contracts with Customers';
- Classification and Measurement of Share-based Payment Transactions – Amendments to IFRS 2;
- Annual Improvements 2014–2016 cycle;
- Transfers to Investment Property – Amendments to IAS 40; and
- Interpretation 22, 'Foreign Currency Transactions and Advance Consideration'.

The adoption of these standards and interpretations has had no impact on the group or company's loss for the year or equity.

New standards, amendments and interpretations issued but not yet effective and not early adopted

IFRS 16 Leases

The new standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees. In particular, it eliminates the distinction between operating and finance leases for a lessee. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised.

The group will apply the standard from its mandatory adoption date of 1st November 2019. The group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. All right-of-use assets will be measured at the amount of the lease liability on adoption.

The group carried out an impact assessment by reviewing all of the leasing arrangements in light of the new lease accounting rules in IFRS 16. The standard will affect primarily the accounting for the group's operating leases.

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

1 Accounting policies (continued)

New standards, amendments and interpretations issued but not yet effective and not early adopted (continued)

IFRS 16 Leases (continued)

As at the reporting date, the group has non-cancellable operating lease commitments of £3,251,000. Of these commitments, none relate to short-term or low value leases or commitments that do not meet the definition for lease capitalisation which will be recognised on a straight-line basis as an expense in the income statement. For the remaining lease commitments, the group expects to recognise (at present value) right-of-use assets and lease liability & dismantling provision of £2,387,000 on 1 November 2019.

As a result of adopting the new rules in year ending 31 October 2020, the Company expects that net profit will increase by approximately £60,000, whereas, operating profit is expected to improve by £155,000.

2 Revenue

Revenue comprises the amount receivable by the group in the ordinary course of business for goods supplied and for services provided net of value added tax.

A geographical analysis of revenue by destination is given below:

	2019 £'000	2018 £'000
United Kingdom	70,386	68,532
Rest of Europe	305	284
Rest of the World	726	913
	<hr/>	<hr/>
Total	71,417	69,729
	<hr/>	<hr/>

Revenue arises from the following:

	2019 £'000	2018 £'000
Sale of goods	66,885	67,066
Services	4,532	2,663
	<hr/>	<hr/>
Total	71,417	69,729
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

3 Exceptional items

Items that are material either because of their size or their nature, and that are irregular are considered to be exceptional items. During the year the group incurred net exceptional costs as follows:

	2019 £'000	2018 £'000
Restructuring and business integration costs	624	2,524
Other exceptional items	223	1,096
	<hr/>	<hr/>
	847	3,620
	<hr/>	<hr/>

Restructuring and business integration costs relate mainly to the relocation of the Guildford based operation into Nottingham and the associated employee costs and site closure costs. Additional restructure costs were also incurred in respect of the reorganisation and reduction in size of the Redditch site and the management reorganisation.

4 Employee information

The average monthly number of persons (including executive directors) employed during the year in continuing operations was:

	2019 Number	2018 Number
Production and technical support	316	317
Administration	128	137
	<hr/>	<hr/>
	444	454
	<hr/>	<hr/>

The aggregate payroll cost of these employees was as follows:

	2019 £'000	2018 £'000
Wages and salaries	16,983	17,477
Social security costs	1,622	1,629
Defined benefit pension costs	-	323
Other pension costs (note 19)	457	415
Payments for loss of office	57	38
	<hr/>	<hr/>
	19,119	19,882
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

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4 Employee Information (continued)

In May 2019, two of the directors and two directors of one of the subsidiary company subscribed for 1,218 Ordinary shares in Adare SEC Holdings Limited. These shares have service and vesting conditions attached and are therefore in the scope of IFRS 2 'Share based payments'. The directors have applied a Black-Scholes model to calculate the grant date fair value of these shares for IFRS 2 purposes, concluding that the total charge in any given period will not be material. Consequently, no share based payment charge has been recorded in these consolidated financial statements.

5 Directors' emoluments

Remuneration paid to directors of Adare SEC Holdings Limited was as follows:

	2019 £'000	2018 £'000
Fees as directors	-	41
Wages and salaries	366	504
Post-employment benefits	18	21
Payments for loss of office	-	20
	<hr/>	<hr/>
	384	586
	<hr/>	<hr/>

Fees and other emoluments (excluding retirement benefit contributions) include amounts paid to the highest paid director were:

	2019 £'000	2018 £'000
Wages and salaries	251	337
Post-employment benefits	18	10
Payments for loss of office	-	20
	<hr/>	<hr/>
	269	367
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

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6 Finance costs

	2019 £'000	2018 £'000
Bank loan interest	607	607
Finance lease interest	134	218
Amortisation of loan arrangement costs	97	97
Loan note interest*	1,067	1,418
Other interest	18	-
Invoice finance costs	73	98
Investor management fees	92	82
Net pension finance income	(12)	(4)
	<u>2,076</u>	<u>2,516</u>

* Loan note interest above is net of finance income of £461,000 in respect of interest waived on loan notes during the year.

7 Loss before income taxation

This is arrived at after charging the following items:

	2019 £'000	2018 £'000
Depreciation:		
- owned assets	1,108	1,218
- leased assets	1,464	1,505
Amortisation of acquisition intangible assets	2,338	2,338
Amortisation of other intangible assets	449	438
Auditors' remuneration:		
- audit services (company £nil (2018:£nil))	89	57
- non audit – invoice process review	17	13
- other services relating to restructure & refinancing of group	-	7
Loss on disposal of property, plant and equipment	8	14
Profit on disposal of property held for resale	-	(11)
Inventories recognised as an expense	18,405	22,973
Operating lease rentals:		
- property	532	588
- plant and machinery	536	381
Foreign exchange losses	13	6
	<u></u>	<u></u>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

8 Income tax credit

	2019 £'000	2018 £'000
(a) Analysis of credit in year		
<i>Current tax:</i>		
Group relief receivable	-	-
	<hr/>	<hr/>
Total current tax	-	-
<i>Deferred tax:</i>		
Adjustment to deferred tax asset not recognised	(118)	(86)
	<hr/>	<hr/>
Total deferred tax	(118)	(86)
	<hr/>	<hr/>
Income tax credit	(118)	(86)
	<hr/>	<hr/>

(b) Factors affecting tax credit in year

The tax credit for the year is lower (2018: lower) than the standard rate of corporation tax in the United Kingdom. The differences are explained below:

	2019 £'000	2018 £'000
Loss before taxation	(2,941)	(8,139)
	<hr/>	<hr/>
Loss multiplied by the standard rate of corporation tax of 19% (2018: 19%)	(559)	(1,546)
<i>Effects of:</i>		
Fixed asset differences	53	(6)
Expenses not deductible for tax purposes	237	922
Adjustment in respect of acquisition intangibles	444	444
Amounts relating to other comprehensive income or otherwise transferred	132	-
Income not taxable for tax purposes	(6)	-
Remeasurement of deferred tax – change in UK tax rate	-	6
Deferred tax relating to other comprehensive income	(118)	-
Deferred tax at average rate	(32)	-
Movement in deferred tax not recognised	(269)	94
	<hr/>	<hr/>
Current tax credit for year (note 8 (a))	(118)	(86)
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

8 Income tax credit (continued)

Factors affecting future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 on 7 September 2016 and Finance Bill 2017 on 16 November 2017. 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.

9 Property, plant and equipment

	Assets in the course of construction £'000	Leasehold premises £'000	Freehold land and buildings £'000	Equipment, plant and machinery £'000	Total £'000
Cost					
At 1 November 2018	-	656	3,838	12,899	17,393
Additions	110	413	3	541	1,067
Disposals	-	-	-	(152)	(152)
Write offs / impairment	-	(463)	519	(370)	(314)
At 31 October 2019	110	606	4,360	12,918	17,994
Accumulated depreciation and impairment					
At 1 November 2018	-	146	313	6,161	6,620
Charge for the year	-	59	88	2,425	2,572
Disposals	-	-	-	(151)	(151)
Transfers	-	(1)	1	-	-
Write offs / impairment	-	(78)	443	(289)	76
At 31 October 2019	-	126	845	8,146	9,117
Net book value					
At 31 October 2019	110	480	3,515	4,772	8,877
Cost					
At 1 November 2017	375	656	3,838	12,211	17,080
Additions	-	-	-	410	410
Transfers	(375)	-	-	375	-
Disposals	-	-	-	(97)	(97)
At 31 October 2018	-	656	3,838	12,899	17,393
Accumulated depreciation					
At 1 November 2017	-	122	237	3,538	3,897
Charge for the year	-	24	76	2,623	2,723
At 31 October 2018	-	146	313	6,161	6,620
Net book value					
At 31 October 2018	-	510	3,525	6,738	10,773

Adare SEC Holdings Limited

Notes (continued)

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9 Property, plant and equipment (continued)

The net book value of equipment, plant and machinery includes £2,990,000 (2018:£4,345,000) in respect of assets held under finance leases and hire purchase contracts.

Details of property, plant and equipment pledged as security for liabilities is disclosed in note 17.

10 Intangible assets

	Computer software and software development £'000	Accreditations £'000	Customer relationships £'000	Goodwill £'000	Total £'000
Cost					
At 1 November 2018	2,205	2,157	11,440	9,036	24,838
Additions	160	-	-	-	160
Write offs / impairment	(540)	-	-	-	(540)
At 31 October 2019	1,825	2,157	11,440	9,036	24,458
Accumulated amortisation and impairment					
At 1 November 2019	1,255	1,338	6,627	-	9,220
Charge for year	438	431	1,907	-	2,776
Write offs / impairment	(544)	-	-	-	(544)
At 31 October 2019	1,149	1,769	8,534	-	11,452
Net book value					
At 31 October 2019	676	388	2,906	9,036	13,006
Cost					
At 1 November 2017	1,965	2,157	11,440	9,036	24,598
Additions	240	-	-	-	240
At 31 October 2018	2,205	2,157	11,440	9,036	24,838
Accumulated amortisation and impairment					
At 1 November 2017	817	907	4,720	-	6,444
Charge for year	438	431	1,907	-	2,776
At 31 October 2018	1,255	1,338	6,627	-	9,220
Net book value					
At 31 October 2018	950	819	4,813	9,036	15,618

Adare SEC Holdings Limited

Notes (continued)

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10 Intangible assets (continued)

Amortisation charges are recognised within Administrative Expenses, with the amortisation of acquisition related intangible assets (customer relationships and accreditations) being disclosed separately and classed as acquisition related intangible assets.

Included in computer software and software development is £110,000 (2018: £52,000) not yet commissioned and therefore not subject to amortisation.

Impairment tests for goodwill

Management reviews the business performance on an ongoing basis. Goodwill is monitored by the management at a company level. The following is a summary of goodwill:

	Adare SEC £'000	Total £'000
At 1 November 2018 and 31 October 2019	9,036	9,036

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial forecasts approved by management covering a three-year period.

The following assumptions have been used for the analysis of each CGU within the operating segment for the three year forecast period:

Sales volumes and prices are based on past performance and management's expectations of market development.

Gross margin is based on historic margins by customer over the period with adjustments made to reflect the expected margin adjustments.

Other operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these costs based on the current structure of the business, adjusting for inflationary increases and anticipated known changes.

For the one year beyond the forecast period a growth rate of 2% has been assumed. Beyond this a terminal growth rate of 2% has been applied.

The discount rate used in the calculation was 7.4% (2018: 7.5%). There are no changes to the assumptions used in the previous year.

The recoverable amount exceeds the carrying value of the CGU by £13.7m (2018: £45.2m). No sensitivities exist that represent a reasonable chance of exhausting the headroom.

Adare SEC Holdings Limited

Notes (continued)

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11	Investments in subsidiary undertakings	2019	2018
		£'000	£'000
	Company		
	Shares in unlisted subsidiaries at cost	102	102
		<hr/>	<hr/>
12	Inventories	2019	2018
		£'000	£'000
	Raw materials	1,112	1,160
	Work in progress	224	181
	Finished goods	733	709
		<hr/>	<hr/>
		2,069	2,050
		<hr/>	<hr/>

In the opinion of the directors, the replacement cost of inventories at 31 October 2019 is not materially different to the carrying value as stated above.

Inventories are stated after provisions for impairment of £78,000 (2018: £239,000).

13 Financial Instruments

Financial Instruments by category

Group at 31 October 2019

Financial Assets as per balance sheet	Loans and receivables £'000
Trade and other receivables excluding prepayments	8,234
Cash and cash equivalents	1,361
	<hr/>
	9,595
	<hr/>

Group at 31 October 2019

Financial Liabilities as per balance sheet	Other financial liabilities at amortised cost £'000
Borrowings	36,416
Finance lease liabilities	3,008
Trade and other payables excluding accruals and deferred income	11,680
	<hr/>
	51,104
	<hr/>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

13 Financial instruments (continued)

Financial instruments by category (continued)

Group at 31 October 2018

Financial Assets as per balance sheet

	Loans and receivables £'000
Trade and other receivables excluding prepayments	10,329
Cash and cash equivalents	1,113
	<u>11,442</u>

Group at 31 October 2018

Financial Liabilities as per balance sheet

	Other financial liabilities at amortised cost £'000
Borrowings	39,142
Finance lease liabilities	4,368
Trade and other payables excluding accruals and deferred income	13,183
	<u>56,693</u>

There are no financial instruments in the company.

14 Trade and other receivables

	Group 2019 £'000	Company 2019 £'000	Group 2018 £'000
Trade receivables	8,281	-	10,388
Less provision for impairment of trade receivables	(47)	-	(59)
Trade receivables net	<u>8,234</u>	-	<u>10,329</u>
Prepayments and accrued income	437	-	949
	<u>8,671</u>	-	<u>11,278</u>

All receivables are current.

There is no difference between the amounts disclosed above and their fair values.
Amounts owed by subsidiary undertakings are interest free and repayable on demand.

Credit risk in respect of trade receivables is limited due to the customers being predominantly comprised of large companies. As a result the directors consider that no further credit risk provision is required in excess of the normal provision for doubtful receivables.

Adare SEC Holdings Limited

Notes (continued)

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14 Trade and other receivables (continued)

As at 31 October 2019 trade receivables of £1,175,000 (2018: £1,780,000) for the group were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing of these receivables is as follows:

<i>Past Due</i>	2019 £'000	2018 £'000
Up to 3 months	1,165	1,628
3 to 6 months	10	75
More than 6 months	-	77
	<u>1,175</u>	<u>1,780</u>

As at 31 October 2019 trade receivables of £47,000 (2018: £59,000) were impaired and fully or partially provided for. The amount of the provision against such impaired trade receivables was £47,000 (2018: £59,000). The ageing of these receivables is as follows:

<i>Past Due</i>	2019 £'000	2018 £'000
Up to 3 months	-	-
3 to 6 months	-	-
More than 6 months	47	59
	<u>47</u>	<u>59</u>

The movement of the group's provision for impairment of trade receivables is as follows:

	2019 £'000	2018 £'000
At 1 November	59	302
Decrease in provision	(12)	(243)
Receivables written off during the year as uncollectable	-	-
	<u>47</u>	<u>59</u>
At 31 October	47	59

The creation and release of the provision for impaired receivables have been included in cost of sales in the income statement. Amounts charged to the provision are generally written off when there is no expectation of recovering additional cash.

The other classes within trade and other receivables do not contain impaired assets. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The group does not hold any collateral as security.

Adare SEC Holdings Limited

Notes (continued)

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15 Cash and cash equivalents

	Group 2019 £'000	Group 2018 £'000
Cash at bank and in hand	1,361	1,113

16 Trade and other payables

	Group 2019 £'000	Group 2018 £'000
Trade payables	8,851	8,845
Other tax and social security	2,038	1,858
Other creditors	791	2,480
Accruals and deferred income	1,572	3,500
	13,252	16,683

17 Borrowings

Group

	2019 £'000	2018 £'000
Non-current:		
Bank loans	11,375	12,146
Finance lease liabilities	1,574	2,922
Loan notes	19,125	18,125
Accrued interest	1,570	4,756
	33,644	37,949
Current:		
Bank term loans	771	554
Invoice finance facility	3,575	3,561
Finance lease liabilities	1,434	1,446
	5,780	5,561
	39,424	43,510

Adare SEC Holdings Limited

Notes (continued)

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17 Borrowings (continued)

Loan notes are shown net of debt issue costs of £nil (2018:£nil). Secure loan notes of £19,125,000 (2018:£18,125,000) have been issued with a maturity date of 2020. However the terms of these loan notes are currently being amended to a maturity date of 2022. These loans attract interest at a non-compounding rate of 8%.

During the year, accrued interest amounting to £4,714,000 was waived on these loan notes.

Current bank term loans are shown net of debt issue costs of £97,000 (2018: £97,000).

Non-current bank loans are shown net of debt issue costs of £144,000 (2018:£241,000).

Bank term loans are repayable in instalments up to October 2021 with final payments in April 2022 and April 2023. They carry interest rates of 3.5% above LIBOR and 4% above LIBOR.

Interest is payable on the invoice finance facility at a rate of 1.95% above the bank base rate.

A strategic review of the business was concluded by the directors and ultimate investors during the year ended 31 October 2018. As part of the review, the Company engaged with its bankers, HSBC and re-set some of the terms of its banking arrangements. The revised facility agreement was signed by the bank in October 2018 and included the waiver of all covenant tests at 31 October 2018.

The bank loans and overdrafts of the group are secured by way of:

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

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.

On 8 November 2018, a fixed charge over all the group's land and intellectual property was registered against the company by the trustees of the Halcyon Business Solutions Pension Scheme as part of a new contribution agreement entered into with the scheme's trustees. This charge ranks behind the bank's charge.

Finance lease liabilities

	2019 £'000	2018 £'000
Gross finance lease liabilities – minimum lease payments		
No later than one year	1,538	1,684
Later than one year and no later than five years	1,642	3,788
	<hr/>	<hr/>
	3,180	5,472
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

17 Borrowings (continued)

	2019	2018 <i>restated</i>
	£'000	£'000
Future value of finance charges on finance lease liabilities	144	1,315
Present value of finance lease liabilities	3,008	4,368
	<hr/>	<hr/>
	3,152	5,683
	<hr/>	<hr/>

The present value of finance lease liabilities is as follows:

	2019	2018
	£'000	£'000
No later than one year	1,434	1,446
Later than one year and no later than five years	1,574	2,922
	<hr/>	<hr/>
	3,008	4,368
	<hr/>	<hr/>

18 Deferred income tax assets

The analysis of deferred tax assets and liabilities is as follows:

Group	2019	2018
	£'000	£'000
Asset as at start of year 1 November	974	974
Income statement credit	118	86
Tax charge relating to actuarial gains recorded in other comprehensive income	(118)	(86)
	<hr/>	<hr/>
Asset as at 31 October	974	974
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

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18 Deferred income tax assets (continued)

The movement in deferred income tax assets and liabilities during the year is as follows:

	Accelerated tax depreciation £'000	Retirement benefit obligations £'000	Total £'000
At 1 November 2017	995	(21)	974
Credited to the income statement	-	86	86
Charged to other comprehensive income	-	(86)	(86)
At 31 October 2018	995	(21)	974
Credited to the income statement	-	118	118
Charged to other comprehensive income	-	(118)	(118)
At 31 October 2019	995	(21)	974

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of £6,592,000 (2018: £6,734,000) in respect of losses amounting to £2,001,000 (2018: £1,525,000) and accelerated tax depreciation and other short term timing differences of £4,591,000 (2018: £5,209,000) that can be carried forward against future taxable income.

It is anticipated that £44,000 (2018: £44,000) of the deferred tax assets will be utilised in the next 12 months.

19 Post-employment benefits

Defined benefit pension scheme

One of the members of the group, Adare SEC Limited, 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.

Adare SEC Holdings Limited

Notes (continued)

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19 Post-employment benefits (continued)

The Scheme is subject to regular actuarial valuations, which are usually carried out every three years. The latest such valuation has an effective date of 31 January 2018. 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.

The agreed results of the formal actuarial valuation as at 31 January 2018 have been projected to 31 October 2019 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:

	2019 £000	2018 £000
Present value of scheme liabilities	(34,066)	(32,635)
Fair value of scheme assets	35,335	32,955
	<hr/>	<hr/>
Asset on the balance sheet	1,269	320
	<hr/>	<hr/>

The amounts recognised in comprehensive income are:

The current and past service costs, settlements and curtailments, together with the net interest expense for the year are included in the employee benefits expense in the statement of comprehensive income. Remeasurements of the net defined benefit liability are included in the statement of other comprehensive income.

	2019 £000	2018 £000
Service cost:		
Past service cost and loss/(gain) on settlements and curtailments	-	323
Net interest credit	(12)	(4)
	<hr/>	<hr/>
(Credit)/charge recognised in income statement	(12)	319
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

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19 Post-employment benefits (continued)

Remeasurements of the net liability:

	2019 £000	2018 £000
(Positive)/negative return on scheme assets (excluding amounts included in interest expense)	(3,716)	727
Loss/(gain) arising from changes in financial assumptions	3,440	(308)
Gain arising from change in demographic assumptions	(421)	(32)
Experience gain	-	(838)
	<hr/>	<hr/>
Actuarial gain recorded in other comprehensive income	(697)	(451)
	<hr/>	<hr/>
Total defined benefit credit	(709)	(132)
	<hr/>	<hr/>

The principal actuarial assumptions used were:

	2019	2018
Liability discount rate	1.90%	2.70%
Inflation rate (RPI)	3.10%	3.40%
Inflation rate (CPI)	2.10%	2.40%
Revaluation of deferred pensions	2.10%	2.40%
Increase to pensions in payment	2.10%	2.40%
Proportion of employees commuting pension for cash	25.00%	25.00%
Expected age at death of current pensioner at age 65		
Males aged 65 at year end	87.7	88.1
Female aged 65 at year end	89.8	90.2
Expected age at death of future pensioners at age 65		
Males aged 45 at year end	89.4	89.8
Female aged 45 at year end	91.6	92.0

The mortality tables used in the valuation as at 31 October 2019 are 90% of S2NMA (males) and S2NFA (females) with allowance for mortality improvements using CMI_2018 with a 1.5%pa underpin. At 31 October 2018 the mortality tables used were 90% of S2NMA (males) and S2NFA (females) with allowance for mortality improvements using CMI_2017 with a 1.5%pa underpin.

Adare SEC Holdings Limited

Notes (continued)

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19 Post-employment benefits (continued)

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

	2019 £'000	2018 £'000
Change in the fair value of assets over the year		
At start of year	32,955	34,647
Interest income	860	877
Return on assets (excluding amount included in net interest expense)	3,716	(727)
Cash contributions	240	66
Benefits paid	(2,436)	(1,908)
	<hr/>	<hr/>
At end of the year	35,335	32,955
	<hr/>	<hr/>

Actual return on assets over the year	4,576	150
	<hr/>	<hr/>

	2019 £'000	2018 £'000
Movement in present value of liabilities over the year		
At start of year	32,635	34,525
Interest cost	848	873
Actuarial gains and losses arising from changes in financial assumptions	3,440	(308)
Actuarial gains arising from changes in demographic assumptions	(421)	(32)
Other experience items	-	(838)
Past service cost	-	323
Benefits paid	(2,436)	(1,908)
	<hr/>	<hr/>
At end of the year	34,066	32,635
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

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19 Post-employment benefits (continued)

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

	2019 £'000	2018 £'000
Deferred pensioners	18,596	17,351
Pensioners in payment	15,470	15,284
	<hr/>	<hr/>
At end of the year	34,066	32,635
	<hr/>	<hr/>
Average duration of the scheme's liabilities at the end of the year	16	16
This can be subdivided as follows:		
Deferred pensioners	20	20
Pensions in payment	11	11

The major categories of scheme assets are as follows:

	2019 £'000	2018 £'000
Return seeking		
Absolute return funds	24,868	21,309
	<hr/>	<hr/>
Return seeking subtotal	24,868	21,309
	<hr/>	<hr/>
Debt instruments		
Gilts	5,301	5,133
Index linked	4,489	4,623
	<hr/>	<hr/>
Debt instrument subtotal	9,790	9,756
	<hr/>	<hr/>
Other		
Cash	141	1,384
Insured pensioner asset	536	506
	<hr/>	<hr/>
	677	1,890
	<hr/>	<hr/>
At end of the year	35,335	32,955
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

forming part of the consolidated financial statements

19 Post-employment benefits (continued)

Scheme assets comprise:

	2019 £'000	2018 £'000
Quoted	34,799	32,387
Unquoted	536	568
	<hr/>	<hr/>
	35,335	32,955
	<hr/>	<hr/>

The Scheme has no investments in the company or in property occupied by the company. The company expects to contribute £120,000 to the scheme during the year ending 31 October 2020.

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 £550,000 (increase by £560,000) (2018: £510,000 (increase by £520,000)) if all the other assumptions remained unchanged.

If the inflation assumption was 0.1 percent higher (lower), the scheme liabilities would increase by £310,000 (decrease by £310,000) (2018: £280,000 (decrease by £280,000)). 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 £1,400,000 (decrease by £1,300,000) (2018: £1,180,000 (decrease by £1,200,000)) 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 2018 revealed a deficit of £3.72m. In a recovery plan dated 12 January 2018 the employer has agreed to pay contributions, which will total £120,000 in FY2020 with a view to eliminating the shortfall during 2024.

The valuation as at 31 January 2018 includes additional liabilities as a result of differences in Guaranteed Minimum Pension (GMP) if benefits were to be equalised. The effect of GMP in the year ended 31 October 2019 is £nil (2018: £323,000) which has been included in the statement of comprehensive income as past service cost.

During the year contributions were also payable to stakeholder pension schemes for certain employees of Adare SEC Limited. The pension expense for these schemes in the year was £457,000 (2018: £415,000).

Adare SEC Holdings Limited

Notes (continued)

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20 Provisions for other liabilities and charges

	Restructuring £'000	Dilapidations £'000	Total £'000
Group 2019			
At 1 November 2018	391	100	491
Utilised in year	(391)	-	(391)
	<hr/>	<hr/>	<hr/>
At 31 October 2019	-	100	100
	<hr/>	<hr/>	<hr/>

- i) Dilapidation provision - The group makes provision in respect of possible rectification costs of properties that are leased where such leases contain clauses that require the group as a tenant to reinstate the property to an agreed condition.
- ii) Restructure provision - during 2017 the group decided to move its Guildford operations to Nottingham. As a result a provision was made against closure costs, principally consisting of employee and property cost, including provision against the onerous lease at the Guildford site. This provision has been fully utilised in the year.

21 Commitments

Capital commitments

Capital expenditure approved for at the end of the reporting period but not yet incurred is as follows:

Group	2019 £'000	2018 £'000
Property, plant and equipment	160	-
	<hr/>	<hr/>

Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 £'000	2018 £'000
Within one year	786	860
After one year and within five years	2,299	2,061
After five years	166	1,290
	<hr/>	<hr/>
	3,251	4,211
	<hr/>	<hr/>

Adare SEC Holdings Limited

Notes (continued)

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22 Subsidiary undertakings

At 31 October 2019, the company had a 100% shareholding in the ordinary shares either directly or indirectly in the following subsidiary undertakings:

Name	Principal activities	Registered office
Adare SEC LNC Limited	Holding company with financing function	A
ACICS Limited	Holding company with financing function	A
Adare SEC Limited	Essential communication solutions, print, management, transactional mail, direct mail, document management	B
Adare SEC (Nottingham) Limited	Non-trading company	B
Adare Lexicon Limited	Non-trading company	B

Registered office

A - Subsidiaries incorporated and operating in the United Kingdom with registered offices of Park Mill, Clayton West, Huddersfield, HD8 9QQ

B - Subsidiaries incorporated and operating in the United Kingdom with registered offices of 1 Meridian South, Meridian Business Park, Leicester, LE19 1WY

23 Ordinary shares

Group	2019 £'000	2018 £'000
Authorised		
7,617 (2018: 7,617) A Ordinary shares of £1 each	8	8
3,036 (2018 nil) Ordinary shares of £1 each*	3	-
1,409 (2018 nil) Deferred shares of £1 each*	1	-
0 (2018: 677) B Ordinary shares of £1 each*	-	1
0 (2018: 1,706) C Ordinary shares of £1 each*	-	2
0 (2018: 2) D1 Ordinary shares of £1 each*	-	-
0 (2018: 1,260) D2 Ordinary shares of £1 each*	-	1
0 (2018: 2) E Ordinary share of £400 each*	-	-
	12	12

Adare SEC Holdings Limited

Notes (continued)

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23 Ordinary shares (continued)

Group	2019 £'000	2018 £'000
Allotted, called up and fully paid		
7,617 (2018: 7,617) A Ordinary shares of £1 each	8	8
3,036 (2018: nil) Ordinary shares of £1 each*	3	-
1,409 (2018: nil) Deferred shares of £1 each*	1	-
0 (2018: 677) B Ordinary shares of £1 each*	-	1
0 (2018: 1,706) C Ordinary shares of £1 each*	-	2
0 (2018: 2) D1 Ordinary share of £1*	-	-
0 (2018: 1,260) D2 Ordinary shares of £1 each*	-	1
0 (2018: 2) E Ordinary share of £400 each*	-	-
	<hr/>	<hr/>
	12	12
	<hr/>	<hr/>

* On 31 May 2019 the B, C, D1 and D2 Ordinary shares were converted into Ordinary shares of £1 each. The 2 E Ordinary shares were divided into 800 E Ordinary shares of £1 each and these were then converted into 800 Ordinary shares of £1 each. 1,409 of the Ordinary shares were then converted into 1,409 Deferred shares of £1 each on the same date.

The company shares for 2019 and 2018 match those of the group.

Rights of shares

Following a resolution dated 31 May 2019, the rights of the shares are as noted below:

The A ordinary shares as a class have 75% of the voting rights of the company

The Ordinary shares as a class have 25% of the voting rights of the company

The Deferred shares have no voting rights

The A Ordinary and Ordinary shares rank pari passu on any income distribution. The Deferred shares are not entitled to any income distribution

On a capital distribution proceeds are shared in the following order:

- The first £500,000 to be distributed to the Ordinary shareholders pro rata to the number of shares held
- A payment of £1 to each Deferred shareholder in respect of all shares held unless the total amount payable exceeds £10 (in which case £10 will be distributed to each Deferred shareholder pro rata to the number of shares held)
- The balance of any proceeds after a) and b) above to be distributed to the A Ordinary and Ordinary shareholders (pari passu as if one class of shares) pro rata to the number of shares held

The Company may also purchase any Deferred shares at an aggregated total of £1 per shareholder at any time (irrespective of the number of shares held).

Adare SEC Holdings Limited

Notes (continued)

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24 Profit of the company

Company

The company has taken advantage of the exemption under section 408 of the Companies Act 2006, from presenting its own income statement. The company did not make a profit or a loss after tax for the year (2018: £nil).

25 Cash generated from operations

	2019 £'000	2018 £'000
Loss before income tax excluding discontinued operations	(2,941)	(8,139)
<i>Adjustments:</i>		
Depreciation	2,572	2,723
Amortisation	2,787	2,776
Loss on sale of fixed asset	350	3
Decrease in other provisions	(391)	(1,117)
Finance costs net	1,984	2,516
<i>Changes in working capital:</i>		
Inventories	(19)	382
Trade and other receivables	2,607	285
Trade and other payables	(3,432)	3,197
Other pension liability movements	(240)	257
	<hr/>	<hr/>
Cash generated from continuing operations	3,277	2,883
	<hr/>	<hr/>

26 Related party transactions

Group

Loan notes totalling £17,505,185 (2018: £16,505,185) are held by Endless Fund III A LP, Endless Fund III B LP and Endless Fund III C LP. Interest is accruing at 8% on these loan notes with a balance £1,440,765 (2018: £4,294,588) accrued at the year end. Investment management fees of £92,000 (2018: £82,000) were paid to Endless III General Partner LLP during the year. These entities between them control 80.9% (2018: 86.74%) of the voting shares of the group.

In November 2018, Endless III A LP, Endless III B LP and Endless III C LP and Management Loan Notes holders (held by previous management) waived £4,714,279 of accrued interest on the loan notes.

During the year, the group transacted net sales of £155,000 (2018: £274,000) and incurred costs of £337,000 (2018: £76,000) with the Adare International group (a group controlled by Endless III General Partner LLP). These transactions were conducted on an arms-length basis.

Company

The company had no related party transactions in the year.

Adare SEC Holdings Limited

Notes (continued)

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27 Contingent liabilities

Legal claims

There are no significant legal claims outstanding at the year end.

Guarantees

The company has provided a letter of financial support to certain subsidiaries with net liabilities as at 31 October 2019. No provision has been made in the company's financial statements for this financial support.

28 Ultimate controlling party

The ultimate controlling party of the group is Endless III General Partner LLP by way of its control of Endless Fund III A LP, Endless Fund III B LP and Endless Fund III C LP who between them control 80.9% (2018: 86.74%) of the group.

29 Post balance sheet events

In January 2020 the group acquired tangible fixed assets (plant and machinery) with a value of £1,788,000 all of which has been funded by finance leases.

On 31 January 2020, a fixed charge comprising an assignment of rights over all the present and future debts, money and other liabilities of one of the subsidiaries (Adare SEC Limited) was registered against Adare SEC Limited by HSBC Equipment Finance (UK) Limited in respect of the capital expenditure mentioned above.