

Registered number: 00934256

JOHNSON SECURITY LIMITED

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017**



JOHNSON SECURITY LIMITED

COMPANY INFORMATION

Director	Dr Y Wang
Registered number	00934256
Registered office	Unit 20, Orchard Industrial Estate Toddington Gloucestershire GL54 5EB
Independent auditor	Nexia Smith & Williamson Chartered Accountants & Statutory Auditor Portwall Place Portwall Lane Bristol BS1 6NA

JOHNSON SECURITY LIMITED

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JOHNSON SECURITY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 DECEMBER 2017

The Director presents his report and the financial statements for the year ended 30 December 2017.

Results and dividends

The profit for the year, after taxation, amounted to £195,054 (2016 - loss £445,802).

Directors

The Directors who served during the year were:

Dr C Lin (resigned 1 July 2017)
Dr Y Wang

Going concern

The director has adopted the going concern basis of preparation of these financial statements. This is based on the ultimate controlling party having provided a letter of support to Johnson Security Limited, undertaking to fund any working capital or other financing requirements to the extent required over the period of twelve months after the signing of these financial statements.

Director's responsibilities statement

The Director is responsible for preparing the Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Director must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Director is required to:

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

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

JOHNSON SECURITY LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 DECEMBER 2017**

Disclosure of information to auditor

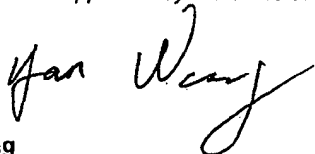
The Director at the time when this Director's Report is approved has confirmed that:

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

Auditor

The auditor, Nexia Smith & Williamson, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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



Dr Y Wang
Director

Date: 14/9/2018

JOHNSON SECURITY LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 30 DECEMBER 2017

Introduction

The principal activities of the company are the design, manufacture and maintenance of security vehicles for the cash and valuables in transit industry and design and manufacture of assemblies for the rail industry.

Business review

The restructuring programme has seen significant cost savings particularly in staff and premises costs as well as improvements in gross margin. The company continues to work on further improvements in its cost base.

With the continued contraction in the "cash in transit" market the company has increased its diversification into alternate sales channels, including the design and manufacture of diesel tanks for the rail industry. The company continues to look for further diversified sales opportunities, whilst continuing to maintain focus on its core business activities as well as widening the reach into selective new territories.

The company remains grateful to its Chinese owners for their continuing help and support.

Principal risks and uncertainties

Financial risk management - The company's operations expose it to a variety of financial risks that include the effects of changes in interest rates, credit risk, and liquidity risk. The company has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and related finance costs.

Credit risk - The company implemented policies that require appropriate credit checks on potential customers before sales are made.

Liquidity risk - The company maintains a mixture of external and related party finance that is designed to ensure the company has sufficient available funds for operations and planned expansions.

Interest rate cash flow risk - The company has both interest bearing assets and interest bearing liabilities. Interest bearing assets include cash balances, which earn interest at the prevailing bank rate.

Financial key performance indicators

The company's primary internal measurement is gross margin:

	2017	2016
Gross margin	33%	17%

This report was approved by the board on 14/9/2018


Dr Y Wang
Director

JOHNSON SECURITY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JOHNSON SECURITY LIMITED

Opinion

We have audited the financial statements of Johnson Security Limited (the 'company') for the year ended 30 December 2017 which comprise the Statement of income and retained earnings, Balance sheet and Statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the the company's affairs as at 30 December 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Material uncertainty related to going concern

We draw attention to note 2.2 in the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss before tax of £73,770 during the year ended 30 December 2017 and has a net liability position of £819,448 at year end. As such, the company is reliant on ongoing shareholder support. While the shareholder is willing to provide this support, including not recalling outstanding intercompany debts as well as providing further funding should it be required, there is no legal agreement in place and State Capital Controls in China may restrict the ability to transfer funding to the UK. Were the funding not to be made available, the company may need to seek alternative sources of funding to enable it to meet its liabilities as they fall due for the foreseeable future. As stated in note 2.2 these conditions, along with the other matters as set forth in note 2.2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

JOHNSON SECURITY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JOHNSON SECURITY LIMITED (CONTINUED)

Other information

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

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

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the director's responsibilities statement set out on page 1, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the director determines 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 director is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the director either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

JOHNSON SECURITY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF JOHNSON SECURITY LIMITED
(CONTINUED)

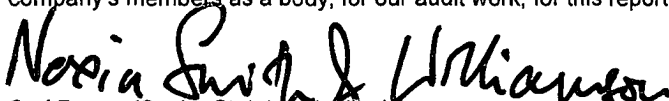
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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


Carl Deane (Senior Statutory Auditor)

for and on behalf of
Nexia Smith & Williamson

Chartered Accountants & Statutory Auditor

Portwall Place
Portwall Lane
Bristol
BS1 6NA
Date:

20 September 2018

JOHNSON SECURITY LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 30 DECEMBER 2017**

		Year ended 30 December 2017 £	As restated Period ended 30 December 2016 £
	Note		
Turnover	4	6,517,146	8,190,818
Cost of sales		(4,374,951)	(6,829,208)
Gross profit		<u>2,142,195</u>	<u>1,361,610</u>
Administrative expenses		(2,215,965)	(2,152,660)
Operating loss	5	(73,770)	(791,050)
Tax on loss	8	268,824	345,248
Profit/(loss) after tax		<u>195,054</u>	<u>(445,802)</u>
Retained earnings at the beginning of the year		(2,752,980)	(2,307,178)
		(2,752,980)	(2,307,178)
Profit/(loss) for the year		195,054	(445,802)
Retained earnings at the end of the year		<u>(2,557,926)</u>	<u>(2,752,980)</u>

The notes on pages 10 to 23 form part of these financial statements.

JOHNSON SECURITY LIMITED
REGISTERED NUMBER: 00934256

BALANCE SHEET
AS AT 30 DECEMBER 2017

	Note	2017 £	As restated 2016 £
Fixed assets			
Tangible fixed assets	9	22,373	34,621
Investments	10	259,036	259,036
		<u>281,409</u>	<u>293,657</u>
Current assets			
Stocks	11	986,806	1,144,465
Debtors: amounts falling due within one year	12	1,693,673	2,164,237
Cash at bank and in hand	13	49,626	134,847
		<u>2,730,105</u>	<u>3,443,549</u>
Creditors: amounts falling due within one year	14	(3,557,250)	(4,103,012)
Net current liabilities		<u>(827,145)</u>	<u>(659,463)</u>
Total assets less current liabilities		<u>(545,736)</u>	<u>(365,806)</u>
Provisions for liabilities			
Provisions	17	(273,712)	(648,696)
Net liabilities		<u>(819,448)</u>	<u>(1,014,502)</u>
Capital and reserves			
Called up share capital	18	1,309,978	1,309,978
Share premium account	19	197,563	197,563
Other reserves	19	230,937	230,937
Profit and loss account	19	(2,557,926)	(2,752,980)
		<u>(819,448)</u>	<u>(1,014,502)</u>

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

14/9/2018

Dr Y Wang
Director



The notes on pages 10 to 23 form part of these financial statements.

JOHNSON SECURITY LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 DECEMBER 2017**

	Year ended 30 December 2017 £	As restated Period ended 30 December 2016 £
Cash flows from operating activities		
Profit/(loss) for the financial year	195,054	(445,802)
Adjustments for:		
Depreciation of tangible assets	13,200	57,683
Taxation charge	(268,824)	(345,248)
Decrease/(increase) in stocks	157,659	(138,428)
Decrease in debtors	426,578	604,315
(Decrease)/increase in creditors	(666,511)	842,885
Increase/(decrease) in amounts owed to groups	118,483	(375,342)
(Decrease)/increase in provisions	(374,984)	268,696
Corporation tax received	312,810	-
Net cash generated from operating activities	<u>(86,535)</u>	<u>468,759</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(952)	(35,553)
Net cash from investing activities	<u>(952)</u>	<u>(35,553)</u>
Cash flows from financing activities		
Movement on invoice discounting facility	2,266	(352,654)
Net cash used in financing activities	<u>2,266</u>	<u>(352,654)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(85,221)</u>	<u>80,552</u>
Cash and cash equivalents at beginning of year	134,847	54,295
Cash and cash equivalents at the end of year	<u><u>49,626</u></u>	<u><u>134,847</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	49,626	134,847
	<u><u>49,626</u></u>	<u><u>134,847</u></u>

The notes on pages 10 to 23 form part of these financial statements.

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2017

1. General information

Johnson Security Limited is a private limited company incorporated in England and Wales. The address of the registered office is Unit 20, Orchard Industrial Estate, Toddington, Gloucestershire, GL54 5EB.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

2.2 Going concern

At 30 December 2017, the company had net liabilities of £819,448 and net current liabilities of £827,145.

The director has prepared cash flow forecasts that, in combination with shareholder support should it be required, indicate that the company is able to meet its liabilities as and when they fall due. The shareholder has indicated that they will not recall outstanding intercompany debts and would be willing to provide the Company with such funding as is necessary in order for the Company to meet its debts as they fall due for the foreseeable future, being at least one year from the date of approval of the financial statements. However there is no legal agreement between the Company and the shareholder and State Capital Controls in place in China, could potentially restrict the ability of the shareholder to provide such support.

Whilst therefore the availability of the additional funds is not certain, based on discussions with the shareholder, the director firmly believes that adequate further funds will be available should they be required, to enable the Company to meet its liabilities. Should shareholder funding not be available, the Company may need to seek funding from alternative sources.

The director has concluded that the combination of these circumstances represents a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern and that, therefore, the Company may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after making enquiries and considering the uncertainties described above, the director has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Were the company no longer a going concern, adjustments may be required to the carrying value of assets, provision would be required for the future liabilities arising as a consequence of the Company ceasing business and assets and liabilities currently classified as non-current would be reclassified as current.

2.3 Prior period restatement

The prior period results have been restated to write off a VAT difference of £92,370 in the comparative period. The impact of this restatement is a reduction to profit before tax in the period to 30 December 2016 and net assets at 30 December 2016 of £92,370. The adjustment has not affected the tax charge for the prior period.

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2017

2. Accounting policies (continued)

2.4 Revenue

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts.

2.5 Long-term contracts

Profit on long-term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end date, by recording turnover and related costs as contract activity progresses. Revenue derived from variations on contracts is recognised only when the variations have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

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

Depreciation is provided on the following basis:

Leasehold property	- over period of the lease
Plant & machinery	- 10% - 33%
Motor vehicles	- 25%

2.7 Development costs

Development costs are written off in the year in which they are incurred.

2.8 Valuation of investments

Investments in associated companies are measured at cost less accumulated impairment.

2.9 Stocks

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

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.10 Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal levels of activity. Provision is made for any foreseeable losses where appropriate.

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2017

2. Accounting policies (continued)

2.11 Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the company will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the company's cash management.

Financial liabilities and equity instruments issued by the company are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

2.12 Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

2.13 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2017

2. Accounting policies (continued)

2.15 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

2.16 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax.

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

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

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

Deferred tax balances are not recognised in respect of permanent differences. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 DECEMBER 2017

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

The preparation of financial statements in conformity with generally accepted accounting practice requires management to make estimates and judgements that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period.

Stock provision

The stock balance of £438,878 recorded in the balance sheet comprises a relatively large number of small items. A review of stock is carried out at the end of each month. Whilst every attempt is made to ensure that the stock provisions are as accurate as possible, there remains a risk that the provisions do not match the level of obsolescent stock items.

Trade debtor provision

The trade debtors balance of £1,282,799 recorded in the balance sheet comprises a relatively small number of large balances. A full line by line review of trade debtors is carried out at the end of each month. Whilst every attempt is made to ensure that bad debt provisions are as accurate as possible, there remains a risk that the provisions do not match the level of debts which ultimately prove to be uncollectible.

Long term contracts

Revenue and cost of sales recognised on long-term contracts require management to estimate the overall costs of completing the contract, as well as the stage of completion of that contract at the period end date. The projected result on each contract is revisited periodically and the estimated cost position, and related revenue and cost of sales recognised in the statement of income and retained earnings are updated prospectively.

Going concern

See note 2.2.

4. Turnover

The whole of the turnover is attributable to the company's principal activity.

Analysis of turnover by country of destination:

	Year ended 30 December 2017 £	Period ended 30 December 2016 £
United Kingdom	5,018,772	6,708,372
Rest of Europe	885,901	1,022,048
Rest of the World	612,473	460,398
	<u>6,517,146</u>	<u>8,190,818</u>

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017

5. Operating loss

The operating loss is stated after charging:

	Year ended 30 December 2017 £	Period ended 30 December 2016 £
Depreciation of tangible fixed assets	13,200	57,683
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	17,500	15,300
Other operating lease rentals	424,290	484,481

6. Employees

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

	Year ended 30 December 2017 £	Period ended 30 December 2016 £
Wages and salaries	2,542,572	3,506,840
Social security costs	258,734	307,519
Cost of defined contribution scheme	66,257	72,632
	<u>2,867,563</u>	<u>3,886,991</u>

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

	Year ended 30 December 2017 No.	Period ended 30 December 2016 No.
Production staff	46	51
Administrative	31	37
	<u>77</u>	<u>88</u>

JOHNSON SECURITY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017**

7. Directors' remuneration

	Year ended 30 December 2017 £	Period ended 30 December 2016 £
Directors' emoluments	7,169	68,643
Company contributions to defined contribution pension schemes	270	432
	<u>7,439</u>	<u>69,075</u>

Key management are those persons having authority and responsibility for the planning, controlling and directing of the company. Total compensation payable to key management personnel during the year was £108,050 (2016 - £152,075).

8. Taxation

	Year ended 30 December 2017 £	Period ended 30 December 2016 £
Corporation tax		
R&D tax credit	(261,875)	(345,248)
Total current tax	<u>(261,875)</u>	<u>(345,248)</u>
Deferred tax		
Origination and reversal of timing differences	(6,949)	-
Total deferred tax	<u>(6,949)</u>	<u>-</u>
Taxation on loss on ordinary activities	<u>(268,824)</u>	<u>(345,248)</u>

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017

8. Taxation (continued)

Factors affecting tax charge for the year

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

	Year ended 30 December 2017 £	Period ended 30 December 2016 £
Loss on ordinary activities before tax	(73,770)	(791,050)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(14,201)	(139,736)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	385	1,069
Deferred tax not recognised	6,867	138,667
R&D tax credit	(261,875)	(345,248)
Total tax credit for the year	(268,824)	(345,248)

JOHNSON SECURITY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017**

9. Tangible fixed assets

	L/Term Leasehold Property £	Plant & machinery £	Motor vehicles £	Total £
Cost or valuation				
At 31 December 2016	515,745	3,119,935	27,012	3,662,692
Additions	-	952	-	952
At 30 December 2017	<u>515,745</u>	<u>3,120,887</u>	<u>27,012</u>	<u>3,663,644</u>
Depreciation				
At 31 December 2016	515,745	3,085,314	27,012	3,628,071
Charge for the year on owned assets	-	13,200	-	13,200
At 30 December 2017	<u>515,745</u>	<u>3,098,514</u>	<u>27,012</u>	<u>3,641,271</u>
Net book value				
At 30 December 2017	<u>-</u>	<u>22,373</u>	<u>-</u>	<u>22,373</u>
At 30 December 2016	<u>-</u>	<u>34,621</u>	<u>-</u>	<u>34,621</u>

JOHNSON SECURITY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017**

10. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 31 December 2016	259,036
At 30 December 2017	<u>259,036</u>
Net book value	
At 30 December 2017	<u>259,036</u>
At 30 December 2016	<u>259,036</u>

11. Stocks

	2017 £	2016 £
Raw materials	438,878	582,114
Work in progress	547,928	562,351
	<u>986,806</u>	<u>1,144,465</u>

12. Debtors

	2017 £	2016 £
Trade debtors	1,282,799	1,544,025
Other debtors	317,976	371,844
Prepayments and accrued income	68,197	230,616
Deferred taxation	24,701	17,752
	<u>1,693,673</u>	<u>2,164,237</u>

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017

13. Cash and cash equivalents

	2017	2016
	£	£
Cash at bank and in hand	49,626	134,847

14. Creditors: Amounts falling due within one year

	2017	As restated 2016
	£	£
Bank overdraft	624,732	622,466
Payments received on account	52,495	151,395
Trade creditors	1,371,332	1,533,371
Amounts owed to group undertakings	1,018,901	900,418
Other taxation and social security	286,278	521,493
Other creditors	16,132	13,318
Accruals and deferred income	187,380	360,551
	3,557,250	4,103,012

In January 2015, the company entered into a revised debt factoring facility with RBS Invoice Finance Limited presented above as bank overdraft. This facility is secured by a fixed and floating charge over all assets of the Company. The facility is expected to be replaced imminently with comparable charges in place.

The Company is also subject to a fixed and floating charge over all assets, present and future in favour of Barclays Bank Plc.

JOHNSON SECURITY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017**

15. Financial instruments

	2017 £	2016 £
Financial assets		
Cash and cash equivalents	49,626	134,847
Financial assets that are debt instruments measured at amortised cost	1,311,148	1,554,248
Financial assets that are equity instruments measured at cost less impairment	259,036	259,036
	<u>1,619,810</u>	<u>1,948,131</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(3,202,345)</u>	<u>(3,416,806)</u>

16. Deferred taxation

	2017 £	2016 £
At beginning of year	17,752	17,752
Credited to profit or loss	6,949	-
At end of year	<u>24,701</u>	<u>17,752</u>

The deferred tax asset is made up as follows:

	2017 £	2016 £
Decelerated capital allowances	14,249	15,096
Short term timing differences	10,452	2,656
	<u>24,701</u>	<u>17,752</u>

The company has an unprovided deferred tax asset of £359,209 (2016: £401,143).

JOHNSON SECURITY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017**

17. Provisions

	Dilapidations provision £	Onerous contracts £	Total £
At 31 December 2016	281,000	367,696	648,696
Charged to profit or loss	-	19,085	19,085
Utilised in year	(93,660)	(300,409)	(394,069)
At 30 December 2017	187,340	86,372	273,712

18. Share capital

	2017 £	2016 £
Allotted, called up and fully paid		
272,478 Ordinary shares shares of £1 each	272,478	272,478
1,037,500 Ordinary A shares shares of £1 each	1,037,500	1,037,500
	1,309,978	1,309,978

19. Reserves

Share premium account

The share premium account is used to record the aggregate amount or value of premiums paid when the company's shares are issued at an amount in excess of nominal value.

Other reserves

Other reserves comprise a capital redemption reserve used to record the repurchase of own share capital.

Profit & loss account

This reserve relates to the cumulative retained earnings less amounts distributed to shareholders.

20. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £66,257 (2016 - £72,632). Contributions totalling £16,132 (2016 - £13,318) were payable to the fund at the balance sheet date

JOHNSON SECURITY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 DECEMBER 2017

21. Contingent liabilities

The company entered into a cross guarantee securing the bank borrowings where applicable of Four Dimension Johnson Security UK Limited, the company's immediate parent company. The amount guaranteed at the year end was £nil (2016 - £nil).

22. Commitments under operating leases

At 30 December 2017 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £	2016 £
Not later than 1 year	375,112	457,759
Later than 1 year and not later than 5 years	1,379,490	1,389,159
Later than 5 years	185,763	70,436
	<u>1,940,365</u>	<u>1,917,354</u>

23. Controlling party

The company is a wholly owned subsidiary of Four Dimension Johnson Security UK Limited, a company incorporated in the United Kingdom. The ultimate controlling party is considered to be Dr Y Wang, the majority shareholder of the ultimate parent company Beijing Rui Heng Xing, a company incorporated in China.