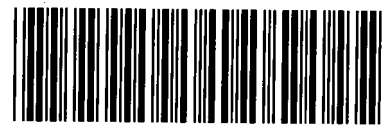


QUADRANT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2019

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QUADRANT GROUP LIMITED

COMPANY INFORMATION

Directors	D J Coghlan M Male T Morley P Rae J Sandiford S J Williams
Company secretary	T J Morley
Registered number	04343035
Registered office	Quadrant Group Limited Victoria Gardens Burgess Hill West Sussex RH15 9NB
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 2nd Floor, St Johns House, Haslett Avenue West Crawley West Sussex RH10 1HS

QUADRANT GROUP LIMITED

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QUADRANT GROUP LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MAY 2019

Introduction

The Directors present their report together with the audited financial statements for the year ended 31 May 2019.

Review of business

The Group saw a continued improved picture with regards business during the year. Volume was maintained in the Flight Simulation and Training businesses and conversion of contracts in the Air Traffic Control sector showed much improved results, ensuring that the Group had another profitable year.

Quadrant Systems Limited (QSL)

Both the Airbus A320 and Boeing 737-800W Simulators located at Burgess Hill averaged good availability and utilisation throughout the year.

During the year QSL qualified as an ATO, trading under the Quadrant Pilot brand. By qualifying as a Flight Training Organisation QSL should see increased revenues through Training along with increased utilisation of the owned Simulators.

The Maintenance Contract for DE&S/Merlin on the Tucano Simulators and CPTs at RAF Linton-on-Ouse has been operating successfully for 15 years with high availability, however it has been confirmed that the contract will terminate on 31 October 2019 at the out of service date of the aircraft.

QSL completed a good year and is now transitioning as it builds up the new ATO business.

Quadrant Simulation Systems, Inc. (QSSI)

QSSI had a strong year with continued business in both the Civil and US Military sectors. QSSI continues to work on a significant long term contract to install new Simulators for a large OEM as well as on a large number of Relocation and Installation programmes.

Quest Flight Training Limited (QUEST)

QUEST has had another successful year. Aircrew Training has been provided to the Royal Air Force and the French Air Force during the year. All Training has been delivered to a high standard and availability of the Simulator has been extremely good. A major upgrade which significantly increased the capability of the E-3D Simulator was completed during the year.

Training utilisation for the Royal Air Force and the French Air Force was as expected for the year and should continue for the next year. The Royal Saudi Air Force is expected to increase usage in the coming year.

Micro Nav Limited (MNL)

MNL had a successful year with conversion of a number of contracts in several locations around the world. MNL remains a leader in its market and continues to pursue a number of strong opportunities which will add to the positive outlook for the year ahead.

QUADRANT GROUP LIMITED

GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 MAY 2019

Business outlook

The overall outlook for the Group remains positive underpinned by the significant growth in air travel and in the number of civil aircraft that will be flying over the next ten years. These factors will increase the requirements for Pilot Training in Flight Simulators and for Training of Air Traffic Controllers using ATC Simulators.

The Group invests in R&D on an ongoing basis and tracks the impact of technology advances and potential regulatory changes in its business segments. In particular investment is being made to develop a new product called QUADRANT INTERACT™, which provides an interactive environment within the Flight Simulator, for training pilots in Air Traffic Control utilising current products and expertise from within the Group. Market engagement is increasing with significant interest being shown by potential customers.

The external economic environment is likely to remain difficult in the foreseeable future with short term uncertainty in both Civil and Military markets.

The Group recognises these risks and is managing the Business bearing them in mind and in this context is promoting the benefits that Simulation brings to Civil and Military customers in terms of enabling cost effective Aircrew Training and Air Traffic Controller Training.

The Directors continue to monitor the developments around the UK leaving the European Union, but believe the global nature of the business means that there should be limited overall impact once a final position has been reached.

Key performance indicators

The Directors monitor the Business against detailed financial plans and hold regular meetings to review the Group performance against these financial plans and the performance of individual companies within the Group.

The primary Key Performance Indicator measurement is the review of programmes and services to ensure that they are being fulfilled on schedule and achieving the appropriate contribution to the business.

This report was approved by the board on 11 September 2019 and signed on its behalf.



J Sandiford
Director

QUADRANT GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MAY 2019

The Directors present their report and the financial statements for the year ended 31 May 2019.

Directors

The Directors who served during the year were:

D J Coghlan (Chairman)
M Male
T Morley
P Rae
J Sandiford
S J Williams

Financial Risk Management

The Group uses financial instruments, other than derivatives, comprising cash and other liquid resources and various items such as trade debtors and creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The main risk arising from the Company's financial instruments is liquidity risk. The Directors review and agree policies for managing financial risk and they are summarised below.

Liquidity Risk

The Company seeks to manage financial risk by ensuring that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company policy throughout the year has been to ensure continuity of funding by retaining profits. Short term flexibility is achieved by overdraft facilities when required.

Post balance sheet events

There have been no significant events affecting the Group since the year end.

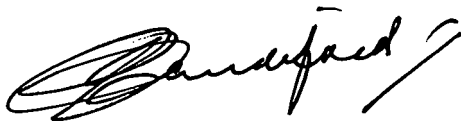
Disclosure of information to auditor

Each of the Directors have confirmed that so far as they are aware there is no relevant audit information of which the Company and Group's auditor is unaware and that they have taken all the steps they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company and Group's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, 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.



J Sandiford
Director

Date: 11 September 2019

QUADRANT GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 MAY 2019

The Directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated financial statements in accordance with applicable law and regulations.

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

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUADRANT GROUP LIMITED

Opinion

We have audited the financial statements of Quadrant Group Limited (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 May 2019, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statement of Changes in Equity and Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 May 2019 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent 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.



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUADRANT GROUP LIMITED
(CONTINUED)**

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Group Strategic Report and Directors' Report. 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.

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

Matters on which we are required to report by exception

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

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



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUADRANT GROUP LIMITED
(CONTINUED)**

Responsibilities of directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement on page 4, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

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.

Grant Thornton UK LLP

Christian Heeger BSc FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Crawley

11 September 2019

QUADRANT GROUP LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MAY 2019**

	Note	2019 £	2018 £
Turnover			
Group and share of joint venture's turnover		23,156,423	19,507,077
Less: share of joint venture's turnover		(1,252,345)	(1,323,136)
Group turnover	4	21,904,078	18,183,941
Cost of sales		(13,977,508)	(10,729,537)
Gross profit		7,926,570	7,454,404
Administrative expenses		(6,907,167)	(6,434,549)
Other operating income		62,000	62,000
Operating profit	5	1,081,403	1,081,855
Share of profit of joint venture		314,441	379,341
Total operating profit		1,395,844	1,461,196
Amortisation of goodwill	12	(134,409)	(134,409)
Profit on ordinary activities before interest		1,261,435	1,326,787
Interest receivable and similar income	9	3,772	642
Interest payable and expenses	10	(234,927)	(272,897)
Profit before taxation		1,030,280	1,054,532
Tax on profit	11	(33,102)	(111,020)
Profit for the financial year		997,178	943,512
Foreign exchange differences		(31,908)	(2,487)
Other comprehensive income for the year		(31,908)	(2,487)
Total comprehensive income for the year		965,270	941,025

The notes on pages 16 to 36 form part of these financial statements.

Total administrative expenses for the year were £7,041,576 (2018: £6,568,958).

QUADRANT GROUP LIMITED
REGISTERED NUMBER:04343035

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

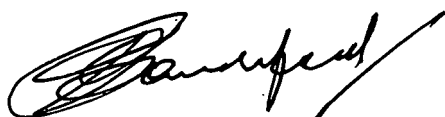
	Note	2019 £	2018 £
Fixed assets			
Intangible assets	12	1,493,012	1,636,062
Tangible assets	13	4,452,500	4,025,982
Investment in joint venture			
- Share of gross assets		3,015,400	3,299,135
- Share of gross liabilities		(2,091,975)	(2,592,635)
Share of net assets	14	923,425	706,500
		6,868,937	6,368,544
Current assets			
Stocks	15	50,541	56,870
Debtors: amounts falling due within one year	16	4,349,116	3,469,578
Cash at bank and in hand	17	3,856,934	3,487,351
		8,256,591	7,013,799
Creditors: amounts falling due within one year	18	(6,916,665)	(5,974,645)
Net current assets		1,339,926	1,039,154
Total assets less current liabilities		8,208,863	7,407,698
Creditors: amounts falling due after more than one year	19	(2,065,779)	(2,229,884)
Net assets		6,143,084	5,177,814

QUADRANT GROUP LIMITED
REGISTERED NUMBER:04343035

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 MAY 2019

	Note	2019 £	2018 £
Capital and reserves			
Called up share capital	23	1,597,026	1,597,026
Share premium account	24	2,581,702	2,581,702
Capital redemption reserve	24	236,075	236,075
Profit and loss account	24	1,728,281	763,011
Shareholders' Funds		6,143,084	5,177,814

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 September 2019.



J Sandiford
Director

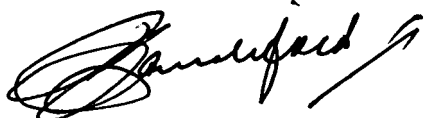
The notes on pages 16 to 36 form part of these financial statements.

QUADRANT GROUP LIMITED
REGISTERED NUMBER:04343035

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	Note	2019 £	2018 £
Fixed assets			
Investments	14	5,487,249	5,487,249
		<u>5,487,249</u>	<u>5,487,249</u>
Current assets			
Debtors: amounts falling due within one year	16	3,360,379	3,511,184
Cash at bank and in hand	17	4,418	57,761
		<u>3,364,797</u>	<u>3,568,945</u>
Creditors: amounts falling due within one year	18	(1,183,614)	(1,223,738)
Net current assets		<u>2,181,183</u>	<u>2,345,207</u>
Total assets less current liabilities		<u>7,668,432</u>	<u>7,832,456</u>
Net assets		<u><u>7,668,432</u></u>	<u><u>7,832,456</u></u>
Capital and reserves			
Called up share capital	23	1,597,026	1,597,026
Share premium account	24	2,581,702	2,581,702
Capital redemption reserve	24	236,075	236,075
Profit and loss account	24	3,253,629	3,417,653
		<u>7,668,432</u>	<u>7,832,456</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 11 September 2019.



J Sandiford
Director

The notes on pages 16 to 36 form part of these financial statements.

QUADRANT GROUP LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2018	1,597,026	2,581,702	236,075	763,011	5,177,814
Comprehensive income for the year					
Profit for the year	-	-	-	997,178	997,178
Foreign currency translation difference	-	-	-	(31,908)	(31,908)
Total comprehensive income for the year	-	-	-	965,270	965,270
At 31 May 2019	1,597,026	2,581,702	236,075	1,728,281	6,143,084

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2017	1,833,101	2,581,702	-	(178,014)	4,236,789
Comprehensive income for the year					
Profit for the year	-	-	-	943,512	943,512
Foreign currency translation difference	-	-	-	(2,487)	(2,487)
Total comprehensive income for the year	-	-	-	941,025	941,025
Purchase of own shares	(236,075)	-	236,075	-	-
At 31 May 2018	1,597,026	2,581,702	236,075	763,011	5,177,814

The notes on pages 16 to 36 form part of these financial statements.

QUADRANT GROUP LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2019**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2018	1,597,026	2,581,702	236,075	3,417,653	7,832,456
Comprehensive income for the year					
Loss for the year	-	-	-	(164,024)	(164,024)
Total comprehensive income for the year	-	-	-	(164,024)	(164,024)
At 31 May 2019	1,597,026	2,581,702	236,075	3,253,629	7,668,432

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MAY 2018**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 June 2017	1,833,101	2,581,702	-	3,213,338	7,628,141
Comprehensive income for the year					
Profit for the year	-	-	-	204,315	204,315
Total comprehensive income for the year	-	-	-	204,315	204,315
Purchase of own shares	(236,075)	-	236,075	-	-
At 31 May 2018	1,597,026	2,581,702	236,075	3,417,653	7,832,456

The notes on pages 16 to 36 form part of these financial statements.

QUADRANT GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MAY 2019

	2019 £	2018 £
Cash flows from operating activities		
Profit for the financial year	997,178	943,512
Adjustments for:		
Amortisation of intangible assets	143,050	143,049
Depreciation of tangible assets	594,686	512,043
Interest paid	234,927	272,255
Interest received	(3,772)	-
Taxation charge	(21,602)	190,591
Decrease in stocks	6,329	80,545
(Increase) in debtors	(741,174)	(82,254)
Increase/(decrease) in creditors	1,035,725	(191,476)
Share of profit in joint venture	(216,925)	(322,251)
Corporation tax received/(paid)	83,238	(33,159)
Exchange differences	(40,187)	917
Net cash generated from operating activities	2,071,473	1,513,772
Cash flows from investing activities		
Purchase of tangible fixed assets	(1,012,924)	(291,421)
Interest received	3,772	-
Dividends received	-	250,000
Net cash from investing activities	(1,009,152)	(41,421)

QUADRANT GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 MAY 2019

	2019 £	2018 £
Cash flows from financing activities		
Repayment of loans	-	(195,000)
Loans to related parties	(200,000)	-
Repayment of/new finance leases	(257,811)	(223,642)
Interest paid	(234,927)	(272,255)
Net cash used in financing activities	(692,738)	(690,897)
Net increase in cash and cash equivalents	369,583	781,454
Cash and cash equivalents at beginning of year	3,487,351	2,705,897
Cash and cash equivalents at the end of year	3,856,934	3,487,351
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,856,934	3,487,351
	3,856,934	3,487,351

The notes on pages 16 to 36 form part of these financial statements.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

1. General information

Quadrant Group Limited is a private company limited by shares and incorporated in England and Wales. Its registered head office is located at Victoria Gardens, Burgess Hill, West Sussex, RH15 9NB.

The principal activities of the Group are in the Flight and Air Traffic Control simulation business, providing training, maintenance, updates, relocations and software development.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Disclosure exemptions

The Parent Company satisfies the criteria of being a qualifying entity as defined in FRS 102. As such, advantage has been taken of the following reduced disclosures available under FRS 102:

- (a) No Cash Flow Statement has been presented for the Company.
- (b) No disclosure has been given for the aggregate remuneration of Key Management Personnel.

The following principal accounting policies have been applied:

2.2 Going concern

The Directors have a reasonable expectation that the Group itself has adequate resources to continue its operational existence for the foreseeable future. This is based on the Directors having reviewed forecasts that support the Group's going concern status for a period of at least twelve months from the date of signing the financial statements.

2.3 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as they form a single entity. Intercompany transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

2. Accounting policies (continued)

2.4 Associates and joint ventures

Investment in joint ventures are stated at the Company's share of net assets. The Company's share of the profits or losses of the joint ventures is included in the Statement of Comprehensive Income using the equity accounting basis.

2.5 Turnover

Turnover, which excludes value added tax, represents the value of goods and services supplied during the year and includes the proportion of the sales value of long-term contracts relevant to their stage of completion.

Turnover on updates, relocations and installation projects is recognised to the extent that the right to consideration for the performance of the Group's contractual obligations to its customers is earned. Timing differences between sales revenue earned in the statement of comprehensive income and sales invoices raised give rise to accrued or deferred income balances, which are included in debtors or creditors respectively.

Turnover from licence and support service sales are recognised to the extent that the right to consideration for performance of the contracted services have been earned. This gives rise to deferred or accrued income balances where there are timing differences between sales revenue earned and sales invoices raised.

2.6 Intangible assets

Goodwill represents the difference between amounts paid on acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the Statement of Comprehensive Income over its estimated economic life of 20 years.

Other intangible assets

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

Amortisation is provided over the useful economic life of the asset to which it relates.

2.7 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at the rates calculated to write off the cost of tangible fixed assets, less estimated residual value, over their expected useful lives on the following bases.

Depreciation is provided on the following basis:

Short-term leasehold improvements	- Over period of lease
Equipment, furniture, fixtures and fittings	- 20% per annum
Computer equipment	- 33% per annum
Simulator equipment	- Between 6.67% and 33% per annum

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

2. Accounting policies (continued)

2.8 Operating leases: the Group as lessee

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

2.9 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.10 Stocks

Stocks are stated at the lower of cost and net realisable value after making allowance for obsolete and slow-moving stocks. Cost includes all direct costs.

2.11 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value and net of transaction costs.

2.12 Cash and cash equivalents

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

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.13 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. Obligations under such agreements are included in creditors net of finance charge allocated to future periods. The finance element of the rental payment is charged to the Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

2. Accounting policies (continued)

2.14 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in the case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.15 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value and net of transaction costs.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

2. Accounting policies (continued)

2.16 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

At each period end foreign currency monetary items are translated using the closing rate.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'administrative expenses'.

On consolidation, the results of overseas operations are translated into sterling at closing rates. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in Statement of Changes in Equity.

2.17 Finance costs

Finance costs are charged to the Statement of Comprehensive Income over the term of the debt using the relevant interest method.

2.18 Pensions

The Group operates a defined contribution pension scheme. The Group also contributes to personal pension plans of certain employees. The pension charge represents the sum of the amounts payable by the Group to the defined contribution fund and payments made to the employees' personal pension plan during the year.

2.19 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.20 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

2. Accounting policies (continued)

2.21 Current and deferred taxation

Current tax is recognised for the amount of Corporation tax payable in respect of the taxable profit for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

With the exception of changes arising on the initial recognition of a business combination, the tax expense/(income) is presented either in the Statement of Comprehensive Income or Statement of Changes in Equity depending on the transaction that resulted in the tax expense/(income).

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

Preparation of the financial statements require management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include the

- Amortisation in note 12
- Depreciation in note 13
- Deferred tax in note 22

4. Turnover

The whole of the turnover is attributable to the principal activity of the business.

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	9,472,788	8,266,090
Rest of Europe	4,198,075	3,376,853
Rest of the world	8,233,215	6,540,998
	<u>21,904,078</u>	<u>18,183,941</u>

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

5. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Depreciation of tangible fixed assets owned by the Group	351,405	276,710
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	243,281	235,333
Amortisation of intangible assets, including goodwill	143,050	143,049
Exchange differences	32,805	918
Operating lease rentals land and buildings	376,667	374,726
Other operating lease rentals	40,056	19,069
Research & development charged as an expense	795,498	603,973

6. Auditor's remuneration

	2019 £	2018 £
Accounts production	5,000	4,890
Audit of parent undertaking	9,000	8,000
Audit of financial statements of subsidiaries pursuant to legislation	29,000	27,435
Tax compliance	9,450	9,230
	52,450	49,555

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

7. Employees

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

	Group 2019 £	<i>Group 2018 £</i>
Wages and salaries	6,190,027	5,675,882
Social security costs	660,690	593,384
Cost of defined contribution scheme	268,732	225,348
	<u>7,119,449</u>	<u>6,494,614</u>

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

	2019 No.	<i>2018 No.</i>
Engineering	103	98
Selling and distribution	9	9
Administration	25	23
	<u>137</u>	<u>130</u>

8. Directors' remuneration

	2019 £	<i>2018 £</i>
Directors' emoluments	461,108	509,246
Directors' pension costs	29,885	27,790
	<u>490,993</u>	<u>537,036</u>

During the year retirement benefits were accruing to 4 Directors (2018 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £176,550 (2018 - £182,984).

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £11,550 (2018 - £11,200).

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

9. Interest receivable

	2019 £	2018 £
Share of joint venture's interest receivable	-	642
Other interest receivable	3,772	-
	<u>3,772</u>	<u>642</u>

10. Interest payable and similar expenses

	2019 £	2018 £
Bank interest payable	6,742	12,733
Other loan interest payable	75,311	80,165
Share of joint venture's interest payable	31,780	47,304
Finance leases and hire purchase contracts	121,094	132,695
	<u>234,927</u>	<u>272,897</u>

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

11. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	(35,383)	46,234
	<u>(35,383)</u>	<u>46,234</u>
Double taxation relief	-	(32,749)
	<u>(35,383)</u>	<u>13,485</u>
Foreign tax		
Foreign tax on income for the year	13,781	32,749
	<u>13,781</u>	<u>32,749</u>
Share of joint venture's current tax	51,814	30,864
Total current tax	<u>30,212</u>	<u>77,098</u>
Deferred tax		
Origination and reversal of timing differences	-	(14,785)
Share of joint venture's deferred tax	2,890	48,707
Total deferred tax	<u>2,890</u>	<u>33,922</u>
Taxation on profit on ordinary activities	<u>33,102</u>	<u>111,020</u>

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - *lower than*) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>1,030,280</u>	<u>1,054,532</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	195,753	200,361
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	55,138	64,527
Capital allowances for year in excess of depreciation	5,531	2,594
Adjustments to tax charge in respect of prior periods - UK and foreign tax	(7,748)	(12,932)
Research and development - enhanced deduction and losses surrendered	(18,835)	5,935
Adjustment in research and development tax credit leading to a (decrease) in the tax charge	-	(17,966)
Adjustment to tax charge in respect of previous periods - deferred tax	(200)	18,910
Research and development - expenditure credits	6,482	5,297
Research and development - notional credit	(27,635)	(26,277)
Deferred tax asset not recognised	(170,671)	(84,492)
Adjustment to rates	(9,127)	(95,888)
Difference in tax rates	13,440	15,890
Foreign tax credits	-	43,164
Other permanent differences	-	(8,103)
Patent box additional deduction	(9,026)	-
Total tax charge for the year	<u>33,102</u>	<u>111,020</u>

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

11. Taxation (continued)

Factors that may affect future tax charges

The Group has UK trade losses available to be carried forward for offset against future taxable trade profits in certain Group Companies, amounting to approximately £4,058,000 (2018: £3,628,000). These UK tax trade losses will reduce the tax charge of future years until the companies achieve sufficient taxable trade profits to utilise the losses.

A deferred tax asset of £134,785 (2018: £134,785) has been recognised in respect of these losses. The recovery of this asset is dependent upon future taxable profits being earned in order to utilise this deferred tax asset. The Directors have concluded that it is probable that this deferred tax asset will be recovered against the reversal of deferred tax liabilities or other future taxable profits. In addition, there is a further deferred tax asset of approximately £571,000 (2018: £479,000), which has not been recognised as there is currently insufficient certainty as to period over which the asset will be recovered.

12. Intangible assets

Group

	Simulator software £	Goodwill £	Total £
Cost			
At 1 June 2018	129,604	2,688,179	2,817,783
At 31 May 2019	129,604	2,688,179	2,817,783
Amortisation			
At 1 June 2018	20,880	1,160,841	1,181,721
Charge for the year	8,641	134,409	143,050
At 31 May 2019	29,521	1,295,250	1,324,771
Net book value			
At 31 May 2019	100,083	1,392,929	1,493,012
At 31 May 2018	108,724	1,527,338	1,636,062

Amortisation on intangible assets is charged to administrative expenses.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

13. Tangible fixed assets

Group

	Short-term leasehold property £	Computer equipment £	Simulator equipment £	Equipment, furniture, fixtures and fittings £	Total £
Cost					
At 1 June 2018	592,791	939,389	4,348,329	774,644	6,655,153
Additions	253,669	234,017	443,783	81,455	1,012,924
Disposals	(37,093)	(106,164)	-	(49,898)	(193,155)
Exchange differences	3,141	2,114	180	28,256	33,691
At 31 May 2019	812,508	1,069,356	4,792,292	834,457	7,508,613
Depreciation					
At 1 June 2018	273,689	811,229	970,436	573,817	2,629,171
Charge for the year on owned assets	66,507	104,755	355,073	68,351	594,686
Disposals	(37,093)	(106,164)	-	(49,898)	(193,155)
Exchange differences	2,989	2,885	(2)	19,539	25,411
At 31 May 2019	306,092	812,705	1,325,507	611,809	3,056,113
Net book value					
At 31 May 2019	506,416	256,651	3,466,785	222,648	4,452,500
At 31 May 2018	319,102	128,160	3,377,893	200,827	4,025,982

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2019 £	2018 £
Simulator equipment	3,003,858	2,961,281

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

14. Fixed asset investments

Group

	Investment in joint ventures £
Cost	
At 1 June 2018	706,500
Share of profit	216,925
At 31 May 2019	<u>923,425</u>
Net book value	
At 31 May 2019	<u>923,425</u>
At 31 May 2018	<u>706,500</u>

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

14. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £	Investment in joint ventures £	Total £
Cost or valuation			
At 1 June 2018	4,899,892	587,357	5,487,249
At 31 May 2019	4,899,892	587,357	5,487,249
Net book value			
At 31 May 2019	4,899,892	587,357	5,487,249
At 31 May 2018	4,899,892	587,357	5,487,249

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Quadrant Systems Limited	Victoria Gardens, Burgess Hill, West Sussex, RH15 9NB	Flight simulator training, updates and manufacturing services	Ordinary	100%
Quadrant Simulation Systems, Inc.	12301 Challenger Parkway, Orlando, Florida, USA	Flight simulator relocations, updates and manufacturing services	Ordinary	100%
Micro Nav Limited	41-47 Seabourne Road, Bournemouth, Dorset, BH5 2HU	Provision of air traffic control simulation solutions	Ordinary	100%
Micro Nav (Holdings) Limited	41-47 Seabourne Road, Bournemouth, Dorset, BH5 2HU	Dormant	Ordinary	100%
Micro Nav (Software) Limited	41-47 Seabourne Road, Bournemouth, Dorset, BH5 2HU	Dormant	Ordinary	100%

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

14. Fixed asset investments (continued)

Associate

The following was an associate of the Company:

Name	Registered office	Principal activity	Class of shares	Holding
Quest Flight Training Limited	Victoria Gardens, Burgess Hill, West Sussex, RH15 9NB	Simulator training	Ordinary	50%

15. Stocks

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Stocks and work in progress	50,541	56,870	-	-

The difference between purchase price or production cost of stocks and their replacement cost is not material.

An impairment loss of £6,800 (2018 - £Nil) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

16. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	2,097,591	2,047,512	-	-
Amounts owed by Group undertakings	-	-	3,156,982	3,511,184
Amounts owed by related parties	203,397	92,664	203,397	-
Other debtors	48,704	115	-	-
Prepayments and accrued income	507,079	373,308	-	-
Amounts recoverable on long term contracts	1,326,222	728,220	-	-
Tax recoverable	31,338	92,974	-	-
Deferred taxation	134,785	134,785	-	-
	4,349,116	3,469,578	3,360,379	3,511,184

All the debtors disclosed above are due in less than one year with the exception of deferred taxation.

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

17. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	3,856,934	3,487,351	4,418	57,761

18. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Shareholder loans	1,069,442	1,069,442	1,069,442	1,069,442
Payments received on account	2,676,693	1,793,856	-	-
Trade creditors	1,523,345	949,884	-	-
Other taxation and social security	168,127	231,024	-	-
Obligations under finance lease and hire purchase contracts	302,137	395,843	-	-
Other creditors	22,005	53,359	12,579	-
Accruals and deferred income	1,154,916	1,481,237	101,593	154,296
	6,916,665	5,974,645	1,183,614	1,223,738

Shareholder loans accrue interest at fixed rates of between 6% to 8% per annum and are not secured against any assets of the Group.

19. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Net obligations under finance leases and hire purchase contracts	2,065,779	2,229,884	-	-

QUADRANT GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019**

20. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £	<i>Group 2018 £</i>
Not later than 1 year	302,137	395,843
Later than 1 year and not later than 5 years	2,065,779	2,229,884
	<u>2,367,916</u>	<u>2,625,727</u>

Amounts owing under finance leases and hire purchase contracts are secured against the assets acquired. The amounts are repayable in installments.

21. Financial instruments

	Group 2019 £	<i>Group 2018 £</i>	Company 2019 £	<i>Company 2018 £</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>7,532,847</u>	<u>6,355,871</u>	<u>3,364,797</u>	<u>3,568,945</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(4,071,845)</u>	<u>(5,909,992)</u>	<u>(1,183,614)</u>	<u>(1,223,738)</u>

Group

Financial assets measured at amortised cost comprise cash, trade debtors, amount owed by related parties, amount recoverable on long term contracts and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, shareholders loans, accrued expenses and other creditors.

Company

Financial assets measured at amortised cost comprise cash, trade debtors, amount owed by related parties and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, shareholders loans, accrued expenses and other creditors.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

22. Deferred taxation

Group

	2019 £	2018 £
At beginning of year	134,785	120,000
Charged to profit or loss	-	14,785
At end of year	134,785	134,785

The deferred tax asset is made up as follows:

	Group 2019 £	Group 2018 £
Accelerated capital allowances	(113,142)	19,118
Short-term timing differences	2,783	1,667
Tax losses carried forward and other deductions	245,144	114,000
	134,785	134,785

23. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
3,194,051 (2018 - 3,194,051) Ordinary shares of £0.50 each	1,597,026	1,597,026

24. Reserves

Share premium account

Includes any premiums received on the issue of share capital. Any transaction costs associated with the issue of shares are deducted from the share premium.

Capital redemption reserve

Represents the nominal value of shares repurchased by the Company.

Profit and loss account

Represents all current and prior periods retained profits and losses.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

25. Contingent liabilities

The Company guarantees various obligations of Quest Flight Training Limited in relation to a bank loan which expires in 2020. The Company has guaranteed, jointly and severally with Rockwell Collins UK Limited, the performance of Quest up to a maximum of £1 million. The Company has pledged its equity shares in Quest to guarantee payment by Quest of the bank loan. At 31 May 2019, the amount owing by Quest to the bank was £538,426 (2018: £950,252). The Company has guaranteed payment up to a maximum of £125,000 in the event that Quest has a default event, as defined by its loan agreement. All these guarantees expire in 2020.

26. Pension commitments

The Group operates a defined contribution pension scheme, the assets of which are held separately from those of the Group in an independently administered fund. Additionally, the Group contributes into the personal pension plans of certain employees. Pension contributions payable by the Group amounted to £268,732 (2018: £225,348) during the year. Contributions totalling £46,696 (2018: £37,235) were payable at the reporting date and are included in creditors.

27. Commitments under operating leases

At 31 May 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £	Group 2018 £
Land & buildings		
Not later than 1 year	410,000	386,967
Later than 1 year and not later than 5 years	1,498,234	1,670,900
Later than 5 years	-	268,237
	<u>1,908,234</u>	<u>2,326,104</u>
	Group 2019 £	Group 2018 £
Other		
Not later than 1 year	43,934	24,231
Later than 1 year and not later than 5 years	35,053	46,625
	<u>78,987</u>	<u>70,856</u>

The Company had no commitments under the non-cancellable operating leases as at the reporting date.

QUADRANT GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

28. Related party transactions

During the year, the Group supplied services amounting to £399,754 (2018: £997,163) to Quest Flight Training Limited, the joint venture. The net amount due from Quest Flight Training Limited at the year-end was £15,141 (2018: £90,356).

During the year, the Group supplied a loan amounting to £203,397 (2018: Nil) to a Company Director that is fully repayable on 29th November 2019. Interest is charged on the loan at 2.5% in line with the official rate of interest set by HMRC for beneficial loans. All interest is to be paid on repayment of the loan.

The Company has taken advantage of the exemption available under FRS 102 Section 33 'Related Party Disclosures' from the requirement to disclose transactions entered into between two or more members of the same Group where 100% of the voting rights are controlled within the Group.

29. Financial Risk Management

The principal financial risks facing the Group and the measures it has taken to deal with them have been described in the Directors' Report on page 3.

30. Controlling party

In the opinion of the Directors, there is no ultimate controlling party.