

# Financial Statements

## Seven Technologies Group Limited

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For the Year Ended 30 September 2020



Registered number: 04797081



## Company Information

**Directors**

Roland Barzegar (resigned 12 March 2021)  
Michael Howarth (resigned 17 January 2021)  
Adrian Timberlake  
Stephen Harrison  
John Weston  
Gavin Newport (appointed 19 January 2021)  
Jason Sierra (appointed 22 April 2020)  
Derek Wright (appointed 22 April 2020)

**Registered number**

04797081

**Registered office**

1 Low Hall Business Park  
Low Hall Road  
Horsforth  
Leeds  
LS18 4EG

**Independent auditor**

Grant Thornton (NI) LLP  
Chartered Accountants & Statutory Auditors  
12 - 15 Donegall Square West  
Belfast  
BT1 6JH

**Bankers**

Barclays  
1 Churchill Place  
Canary Wharf  
London  
E14 5HP

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## **Strategic report**

**For the Year Ended 30 September 2020**

The directors present their strategic report for the year ended 30 September 2020.

### **Principal activities of the business**

The principal activities of the business are the provision of ISR technology products, consultancy services and research & development to military, law enforcement and commercial customers so supporting the Company's mission to deliver connected intelligence for a safer world.

### **Business review**

#### **Trading and profitability**

The company incurred a loss (at EBITDA level) in the year ended 30 September 2020, (EBITDA of £1,382K) which was a deterioration compared to the prior year's profit.

The downturn in performance in FY20 is driven by a number of factors. Covid-19 had an adverse affect on both order intake and delivery. Restricted travel impacted the delivery for customers impacting revenue and follow on orders. We have seen customer delivery improve in FY21.

A number of key development programmes ran over budget and suffered from delivery delays resulting in significant costs expensed through the profit and loss. That said this was a conscious decision to complete development of new capability beyond the budget of the contracted work, in particular I7ense, which is seen to have significant potential. The programme investment delayed related revenue and cash also hindered work on funded programmes as the engineering resource was fully consumed on the loss making programmes. In addition, there were development engineering opportunities that we were unable to bid for within the period. The programmes were impacted further by Covid-19 travel restrictions causing difficulty in performing customer witnessed acceptance testing. Significant changes have been made to the bid process, cost control and development monitoring to improve the performance of Engineering.

A major focus on costs across the business was conducted following the year end, resulting in an overall increase in profitability during FY21.

#### **Additional funding and pay-down of bank debt**

On 24 November 2020, the Company secured further funding from its majority shareholder, YFM Equity Partners, in addition to investment from the Chairman. The monies were used to fund the working capital needed to deliver the Company's growth plans. This represented a significant vote of confidence on the prospects of the Company from both the majority shareholder and the Chairman

## Strategic report (continued)

For the Year Ended 30 September 2020

### Business review (continued)

#### Strategy

Following the challenging year, considerable focus has been spent on the Company's ongoing business strategy year. We have taken the difficult decision to reduce headcount to lower the Company's break even position. This has enabled us to reverse the trading position of the business and create a stable platform for growth.

Our strategy continues to be to deliver its vision to be the intelligence technology partner of choice, the Company is focussed on improving sales from its core offering, developing and selling ISR technology products, to its current military and law enforcement customers. To underpin this, the Company's product range continues to be refreshed and look forward to launching the next generation of connected intelligence products. Additionally, investment is being made into developing new, and in some cases, potentially high volume markets, to add to its customer portfolio.

The Company has also realigned its focus on delivering to time and quality on innovative funded engineering programmes with its core customers and will continue to maintain this revenue stream, provided that it aligns with the overall product strategy of the business. Supporting this also will be a focus on recurring revenue streams via service contracts with key customers.

#### Financial review and KPIs

The key performance indicators of the business are:

	2020 £'000	2019 £'000
Revenue	8,554	11,207

This is the standard accounting measure of revenue and indicates the trading performance of the business.

	2020 £'000	2019 £'000
EBITDA pre-exceptionals	(666)	825

EBITDA pre-exceptionals is a measure of operating profit, adjusted for depreciation, amortisation and excluding any exceptional costs. Growth in pre-exceptional EBITDA reflects an increase in the long-term value of the business.

	2020 £'000	2019 £'000
EBITDA post-exceptionals	(1,382)	298

This is a measure of EBITDA after incurring exceptional expenses. This is a measure of the true profitability of the business and the impact on the corporate cash flow.

## **Strategic report (continued)**

**For the Year Ended 30 September 2020**

### **Financial review and KPIs (continued)**

Net debt is measured as cash at bank, less term debt owed to the Company's secured lender, subordinated debt owed to the Company's secondary lender, directors' loans and investor loans & preference shares. It is a measure of the debt burden impacting the business.

The year-on-year revenue decrease of 24% is largely driven by the late delivery on projects and Covid-19. In 2021 the business is forecasting revenue growth on the back of a strong order book and recently secured projects. EBITDA pre-exceptionals was positive for the first time in over three years, representing a reduction in administrative costs, combined with better margins from funded engineering activities. Similar profitability is expected in the year ended September 2020, however the Board's focus is now on investing for growth now that a stable platform has been built.

### **Principal risks and uncertainties**

The Directors believe the following risks to be the most significant for the Company. However, the risks listed do not necessarily comprise all those associated with the Company. In particular, the Company's performance may be affected by changes in market, political or economic conditions and in legal, regulatory and tax requirements.

If any of the following risks were to materialise, the Company's business, financial condition, results or future operations could be materially impacted. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial could also have an impact on the Company.

#### **Customer base**

Seven Technologies Group's customer base largely comprises government bodies and as such the Company faces risks and opportunities associated with changes in political and economic policies and changes to international trade relationships and restrictions.

The Company's strategy involves further expansion of its product and service portfolio, customer base and geographic markets that will further diversify this risk.

#### **Technological changes**

The market in which Seven Technologies Group operates is characterised by technological change, changes in customer requirements and changes in industry standards resulting in the frequent introduction of new products.

The Company has created and maintains appropriate personnel policies necessary to attract, develop and retain appropriately qualified personnel and ensures sufficient resources are allocated to research and development activities to meet the ever increasing technical demands of the customer.

## **Strategic report (continued)**

**For the Year Ended 30 September 2020**

### **System failures and breaches of security**

The successful operation of the Company's business depends upon maintaining the integrity of the Company's computer, communication and information technology systems which are vulnerable to damage, breakdown or interruption from events which are beyond the Company's control.

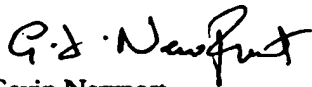
All systems are backed up on a regular basis and appropriate investment is made in the infrastructure of systems within the Company to maintain appropriate standards of integrity and security.

### **Foreign exchange rate risk**

The Company trades internationally and is exposed, in particular to foreign exchange rate movements on revenues received in dollars and euro.

The Company manages these risks by careful contract negotiation, natural hedging strategies and the use of forward fx contracts if and when appropriate.

This report was approved by the board on 29 June 2021 and signed on its behalf.



**Gavin Newport**  
Director

29.6.21

## **Directors' report**

**For the Year Ended 30 September 2020**

The directors present their report and the financial statements for the year ended 30 September 2020.

### **Directors' responsibilities statement**

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with 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 of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are 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;
- 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 Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and 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.

### **Going concern**

The company's performance in year was heavily impacted by the covid pandemic and cost overruns incurred in delivering certain contracts resulting in a loss for the year of £1,108,854 which has impacted its cash position. The company's shareholders provided additional support injecting £550,000 in November 2020 to restore cash headroom and remain supportive of the company. Given the ongoing impact of covid the company is currently seeking additional investment to ensure it has sufficient working capital to fund its planned growth, but also to ensure it is able to pay its liabilities as they fall due. Should the investment not materialise the company will rely on further support of its shareholders to ensure it is able to pay its liabilities as they fall due for at least the twelve months following the date of signing these financial statements. The directors have prepared financial projections and have discussed the company's financial position and future trading prospects with both the shareholders and the company's bankers. As a result of these discussions and the prospect of obtaining further investment the directors have concluded that it is appropriate to adopt the going concern basis of accounting. In making this assessment the directors have considered the ongoing Covid-19 pandemic.

### **Results and dividends**

The loss for the year, after taxation, amounted to £1,108,854 (2019 - profit £1,478,774).

The directors have not recommend a dividend (2019 - Nil).



## Directors' report (continued)

For the Year Ended 30 September 2020

### **Directors**

The directors who served during the year were:

Roland Barzegar (resigned 12 March 2021)  
Michael Howarth (resigned 17 January 2021)  
Adrian Timberlake  
Stephen Harrison  
John Weston  
Jason Sierra (appointed 22 April 2020)  
Derek Wright (appointed 22 April 2020)

### **Future developments**

It is the groups policy to continue to devote its resources to the sale and installation of specialised technical surveillance equipment.

### **Disclosure of information to auditor**

Each of the persons who are directors at the time when this Directors' 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.

### **Post balance sheet events**

The shareholders provided £550,000 of additional funding to the business in November 2020 to assist with its cashflow requirement.

### **Auditor**

The auditor, Grant Thornton (NI) LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 29 June 2021 and signed on its behalf.

G. J. Newport 29.6.21

Gavin Newport  
Director



## Independent auditor's report to the members of Seven Technologies Group Limited

### Opinion

We have audited the financial statements of Seven Technologies Group Limited, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity for the financial year ended 30 September 2020, and the related 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, Seven Technologies Group Limited's financial statements:

- give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice of the assets, liabilities and financial position of the Company as at 30 September 2020 and of its financial performance for the financial year then ended; 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 'Responsibilities of the auditor 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 United Kingdom, namely the FRC's Ethical Standard and the ethical pronouncements established by Chartered Accountants Ireland, applied as determined to be appropriate in the circumstances of the entity. 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

In forming our opinion, which is not modified, we draw attention to the disclosures made in the Directors' report and note 2.3 in the financial statements concerning the company's ability to continue as a going concern. The company incurred a loss of £1,108,854 for the financial year ended 30 September 2020 and had net liabilities of £840,579. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption as stated in the Directors' report and note 2.3 depends on the continued support of the company's shareholders and bankers. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts and classifications of liabilities that might be necessary should the company be unable to continue in existence.

## Independent auditor's report to the members of Seven Technologies Group Limited (continued)

### **Other information**

Other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's report thereon, including the Directors' report and the Strategic Report. The directors are responsible for the other information. Our opinion on the financial statements does not cover the 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 in the financial statements, 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 Directors' report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Directors' report and the Strategic 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 we have obtained in the course of the audit, we have not identified material misstatements in the Directors' report and the Strategic Report.

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

## Independent auditor's report to the members of Seven Technologies Group Limited (continued)

### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation of the financial statements which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS102 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, management 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 management either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## Independent auditor's report to the members of Seven Technologies Group Limited (continued)

### **Responsibilities of the auditor for the audit of the financial statements**

The objectives of an auditor 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 their 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.

As part of an audit in accordance with ISAs (UK), the auditor will exercise professional judgment and maintain professional scepticism throughout the audit. They will also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If they conclude that a material uncertainty exists, they are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify their opinion. Their conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

The auditor shall communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that may be identified during the audit.



## Independent auditor's report to the members of Seven Technologies Group Limited (continued)

### **The purpose of our audit work and to whom we owe our responsibilities**

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.

*Neal Taylor*

Neal Taylor (Senior statutory auditor)

for and on behalf of

**Grant Thornton (NI) LLP**

Chartered Accountants

Statutory Auditors

Belfast

29 June 2021

## Statement of comprehensive income

For the Year Ended 30 September 2020

	Note	2020 £	2019 £
Turnover	4	8,554,265	11,206,903
Cost of sales		(6,083,874)	(6,120,587)
Exceptional cost of sales	13	(1,165,676)	(196,033)
<b>Gross profit</b>		<b>1,304,715</b>	<b>4,890,283</b>
Administrative expenses		(3,300,498)	(3,361,511)
Exceptional administrative expenses	13	450,008	(227,440)
Other operating income	5	297,785	202,661
<b>Operating (loss)/profit</b>	6	<b>(1,247,990)</b>	<b>1,503,993</b>
Interest receivable and similar income	10	1,585	2,052
Interest payable and expenses	11	(3,853)	-
<b>(Loss)/profit before tax</b>		<b>(1,250,258)</b>	<b>1,506,045</b>
Tax on (loss)/profit	12	141,404	(27,271)
<b>(Loss)/profit for the financial year</b>		<b>(1,108,854)</b>	<b>1,478,774</b>
EBITDA Post-exceptional items		(1,381,744)	1,453,681
Exceptional items		715,668	423,473
<b>EBITDA Pre-exceptional items</b>		<b>(666,076)</b>	<b>1,877,154</b>

The notes on pages 15 to 30 form part of these financial statements.

Seven Technologies Group Limited  
Registered number:04797081

# Balance sheet

As at 30 September 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Tangible assets	14	619,711	681,957
Investments	15	7,781,324	7,781,324
		<u>8,401,035</u>	<u>8,463,281</u>
<b>Current assets</b>			
Stocks	16	1,809,058	1,332,696
Debtors: amounts falling due within one year	17	2,148,182	3,557,242
Cash at bank and in hand	18	231,554	564,919
		<u>4,188,794</u>	<u>5,454,857</u>
Creditors: amounts falling due within one year	19	(13,306,961)	(13,488,651)
<b>Net current liabilities</b>		<u>(9,118,167)</u>	<u>(8,033,794)</u>
<b>Total assets less current liabilities</b>		<u>(717,132)</u>	<u>429,487</u>
<b>Provisions for liabilities</b>			
Deferred tax	20	-	(32,763)
Other provisions	21	(123,447)	(128,449)
		<u>(123,447)</u>	<u>(161,212)</u>
<b>Net (liabilities)/assets</b>		<u><u>(840,579)</u></u>	<u><u>268,275</u></u>
<b>Capital and reserves</b>			
Called up share capital	22	150	150
Share premium account	23	714	714
Profit and loss account	23	(841,443)	267,411
		<u>(840,579)</u>	<u>268,275</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 29 June 2021.

*G. S. Newport* 29.6.21

Gavin Newport  
Director

The notes on pages 15 to 30 form part of these financial statements.



## Statement of changes in equity

For the Year Ended 30 September 2020

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2019	150	714	267,411	268,275
<b>Comprehensive income for the year</b>				
Loss for the year	-	-	(1,108,854)	(1,108,854)
<b>Total comprehensive income for the year</b>	-	-	(1,108,854)	(1,108,854)
<b>At 30 September 2020</b>	<b>150</b>	<b>714</b>	<b>(841,443)</b>	<b>(840,579)</b>

The notes on pages 15 to 30 form part of these financial statements.

## Statement of changes in equity

For the Year Ended 30 September 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 October 2017	150	714	(1,211,363)	(1,210,499)
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,478,774	1,478,774
<b>Total comprehensive income for the year</b>	-	-	1,478,774	1,478,774
<b>At 30 September 2018</b>	<b>150</b>	<b>714</b>	<b>267,411</b>	<b>268,275</b>

The notes on pages 15 to 30 form part of these financial statements.

# Notes to the financial statements

For the Year Ended 30 September 2020

## 1. General information

Seven Technologies Group Limited is a company limited by shares, and incorporated in England. The registered office is 1 Low Hall Business Park, Low Hall Road, Horsforth, Leeds, LS18 4EG.

The principal activity of the company is the sale and installation of specialised technical surveillance equipment.

## 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 United Kingdom 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 management to exercise judgment in applying the Company's accounting policies (see note 3).

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS102 "The Financial Reporting Standard applicable in the UK and Ireland".

- the requirements of section 7 Statement of Cash Flows;
- the requirements of section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of section 33 Related Party Disclosures paragraph 33.7;

This information is included in the consolidated financial statements of Seven Technologies Holdings Limited as at 30 September 2020, and these financial statements can be obtained from its registered office: 23 Crescent Business Park, Lisburn, BT28 2GN.

### 2.2 Exemption from preparing consolidated financial statements

The Company is a parent Company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

### 2.3 Going concern

The company's performance in year was heavily impacted by the covid pandemic and cost overruns incurred in delivering certain contracts resulting in a loss for the year of £1,108,854 which has impacted its cash position. The company's shareholders provided additional support injecting £550,000 in November 2020 to restore cash headroom and remain supportive of the company. Given the ongoing impact of covid the company is currently seeking additional investment to ensure it has sufficient working capital to fund its planned growth, but also to ensure it is able to pay its liabilities as they fall due. Should the investment not materialise the company will rely on further support of its shareholders to ensure it is able to pay its liabilities as they fall due for at least the twelve months following the date of signing these financial statements. The directors have prepared financial projections and have discussed the company's financial position and future trading prospects with both the shareholders and the company's bankers. As a result of these discussions and the prospect of obtaining further investment the directors have concluded that it is appropriate to adopt the going concern basis of accounting. In making this assessment the directors have considered the ongoing Covid-19 pandemic.

## Notes to the financial statements

For the Year Ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.4 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. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

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 profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

# Notes to the financial statements

For the Year Ended 30 September 2020

## 2. Accounting policies (continued)

### 2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

#### Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

### 2.6 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

### 2.7 Government grants

Grants are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to profit or loss at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

## Notes to the financial statements

For the Year Ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.8 Interest income

Interest income is recognised in profit or loss using the effective interest method.

#### 2.9 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.10 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 profit or loss 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.

#### 2.11 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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 except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 2.12 Exceptional Items

Exceptional items are transactions that fall within the ordinary activities of the Company but are presented separately due to their size or incidence.

## Notes to the financial statements

For the Year Ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.13 Long term contracts

Long term contract balances are stated at total costs incurred, net of amounts transferred to the Statement of Comprehensive Income in respect of work carried out to date, less foreseeable losses and applicable payments on account not matched with turnover.

Where it is considered that the outcome of a long term contract can be assessed with reasonable certainty before its conclusion, the prudently calculated attributable profit is recognised in the Statement of Comprehensive Income by way of inclusion in turnover.

In calculating the profit or loss on each long term contract, account is taken of appropriate overheads based on an estimated normal level of production, including administrative overheads.

To the extent that the provision for foreseeable losses on particular contracts exceeds the costs incurred, after transfers to the Statement of Comprehensive Income in respect of work carried out to date, the excess is included within 'Provisions for liabilities and charges'.

The amount by which recorded turnover is in excess of payments on account is classified in the accounts as 'Amounts recoverable on contracts' and is included in 'Debtors'.

The balance of payments on account, which are in excess of amounts:

- (a) matched with turnover
  - (b) offset against long term contract balances,
- are classified as 'Payments on account in excess of work in progress' and are separately disclosed within 'Creditors'.

#### 2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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:

Long-term leasehold property	- Straight line over the life of the lease
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Fixtures and fittings	- 33% straight line
Software	- 33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

## Notes to the financial statements

For the Year Ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.16 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.

#### 2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.18 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.

#### 2.19 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.20 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 profit or loss 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.

## Notes to the financial statements

For the Year Ended 30 September 2020

### 2. Accounting policies (continued)

#### 2.21 Financial Instruments

The Company 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 ordinary shares.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

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

Estimation and judgements are required when applying accounting policies. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future, which can involve a high degree of judgement or complexity. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are addresses below:

#### Carrying value of stock

Stock represents goods for resale and is measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Provision is made for obsolete and slow moving stock based on historical experience.

#### Recoverability of debtors

Estimates are made in respect of the recoverable value of trade and other debtors. When assessing the level of provisions required, factors including current trading experience, historical experience and the ageing profile of debtors are considered.

#### Long term contract revenue

Recognised amounts of long term revenues and related receivables reflect management's best estimate of each contract's outcome and stage of completion. This includes the assessment of the profitability of on-going contracts and the order backlog. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty.



# Notes to the financial statements

For the Year Ended 30 September 2020

## 4. Turnover

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	1,848,542	2,828,055
Rest of Europe	786,206	1,637,209
Rest of the world	5,919,517	6,741,639
	<u>8,554,265</u>	<u>11,206,903</u>

## 5. Other operating income

	2020 £	2019 £
Other operating income	280,664	197,659
Government grants receivable	17,121	5,002
	<u>297,785</u>	<u>202,661</u>

## 6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2020 £	2019 £
Depreciation of tangible fixed assets	146,909	149,399
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	-	24,000
Exchange differences	42,896	(42,062)
Other operating lease rentals	354,003	396,043
	<u></u>	<u></u>

## 7. Auditor's remuneration

The audit fees associated with auditing Seven Technologies Group Limited have been included within Seven Technologies Holdings Limited.

## Notes to the financial statements

For the Year Ended 30 September 2020

### 8. Employees

Staff costs were as follows:

	2020 £	2019 £
Wages and salaries	3,885,489	3,306,482
Social security costs	379,772	302,426
Cost of defined contribution scheme	100,160	87,930
	<u>4,365,421</u>	<u>3,696,838</u>

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

	2020 No.	2019 No.
Administration	29	24
Production	63	57
	<u>92</u>	<u>81</u>

### 9. Directors' remuneration

In the year there no emoluments paid to the directors (2019 - Nil)

### 10. Interest receivable

	2020 £	2019 £
Other interest receivable	1,585	2,052
	<u>1,585</u>	<u>2,052</u>

### 11. Interest payable and similar expenses

	2020 £	2019 £
Other loan interest payable	3,853	-
	<u>3,853</u>	<u>-</u>

# Notes to the financial statements

For the Year Ended 30 September 2020

## 12. Taxation

	2020 £	2019 £
<b>Corporation tax</b>		
Current tax on profits for the year	(108,641)	37,555
Adjustments in respect of previous periods	-	(10,284)
<b>Total current tax</b>	<b>(108,641)</b>	<b>27,271</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(34,476)	-
Adjustments in respect of prior periods	(1,916)	-
Effect of tax rate change on opening balance	3,629	-
<b>Total deferred tax</b>	<b>(32,763)</b>	<b>-</b>
<b>Taxation on (loss)/profit on ordinary activities</b>	<b>(141,404)</b>	<b>27,271</b>

### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019 - lower than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	2020 £	2019 £
(Loss)/profit on ordinary activities before tax	(1,250,258)	1,506,045
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(237,549)	286,149
<b>Effects of:</b>		
Expenses not deductible for tax purposes	624	17,914
Fixed asset differences	15,041	16,081
Income not taxable for tax purposes	(17,665)	-
Additional deduction for R&D expenditure	(119,958)	(183,866)
Loss surrendered for R&D tax credit	50,265	-
Adjustments to tax charge in respect of prior periods	-	(10,284)
R&D tax credit payable	53,326	-
Deferred tax not recognised	124,369	(88,812)
Deferred tax recognised at a different rate	(7,941)	(9,911)
Adjustments to prior year deferred tax	(1,916)	-
<b>Total tax charge for the year</b>	<b>(141,404)</b>	<b>27,271</b>

# Notes to the financial statements

For the Year Ended 30 September 2020

## 12. Taxation (continued)

### Factors that may affect future tax charges

The standard rate of UK Corporation Tax is to remain at 19% until 31 March 2023. The Finance Act 2021, which was published on 11 March 2021 and is expected to receive Royal Assent in July 2021, states that this rate is to be increased from 19% to 25% from 1 April 2023. These proposed changes had not been substantively enacted at the balance sheet date and consequently their effects are not included in these financial statements. In summary, the rate of corporation tax from 1 April 2023 will increase to 25% for companies generating taxable profits of more than £250,000. The current 19% tax rate will continue to apply to 'small' companies with profits less than £50,000, with a 'taper relief rate' for those companies with profits between the new thresholds. Deferred tax assets and liabilities have been recognised at using the tax rates applicable for the date the assets and liabilities are expected to reverse.

## 13. Exceptional items

	2020 £	2019 £
Exceptional items	715,668	423,473
	<u>715,668</u>	<u>423,473</u>

In the current year the company was able to release £250,004 of the prior year anticipated product recall costs along with £200,004 for a legal case as both have now been settled without payment, resulting in a total exceptional credit of £450,008. Also in the year the company has recognised losses on contracts with a total value of £1,165,676. In the prior year, the company incurred exceptional costs of £31,515 in relation to a settlement with a distributor, £21,950 restructuring costs, £92,975 in relation to an ongoing legal case and £277,033 in relation to anticipated product recall costs.

## Notes to the financial statements

For the Year Ended 30 September 2020

**14. Tangible fixed assets**

	Long-term leasehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Software £	Total £
<b>Cost or valuation</b>						
At 1 October 2019	1,642,327	564,563	44,712	381,037	163,702	2,796,341
Additions	50,608	-	-	33,419	4,500	88,527
Disposals	(96,834)	(221,260)	-	(218,060)	(145,369)	(681,523)
At 30 September 2020	<u>1,596,101</u>	<u>343,303</u>	<u>44,712</u>	<u>196,396</u>	<u>22,833</u>	<u>2,203,345</u>
<b>Depreciation</b>						
At 1 October 2019	1,017,450	550,960	41,644	354,660	149,670	2,114,384
Charge for the year on owned assets	101,813	6,237	3,068	29,622	6,170	146,910
Disposals	(95,770)	(218,461)	-	(218,060)	(145,369)	(677,660)
At 30 September 2020	<u>1,023,493</u>	<u>338,736</u>	<u>44,712</u>	<u>166,222</u>	<u>10,471</u>	<u>1,583,634</u>
<b>Net book value</b>						
At 30 September 2020	<u>572,608</u>	<u>4,567</u>	<u>-</u>	<u>30,174</u>	<u>12,362</u>	<u>619,711</u>
At 30 September 2019	<u>624,877</u>	<u>13,603</u>	<u>3,067</u>	<u>26,378</u>	<u>14,032</u>	<u>681,957</u>

The net book value of land and buildings may be further analysed as follows:

	2020 £	2019 £
Long leasehold	572,608	624,879
	<u>572,608</u>	<u>624,879</u>

# Notes to the financial statements

For the Year Ended 30 September 2020

## 15. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 October 2019	7,781,324
At 30 September 2020	<u>7,781,324</u>

### Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
Ultrafine Technology Limited	Ordinary	100%
Datong Limited	Ordinary	100%

## 16. Stocks

	2020 £	2019 £
Raw materials and consumables	519,804	751,804
Work in progress	392,825	227,322
Finished goods and goods for resale	896,429	353,570
	<u>1,809,058</u>	<u>1,332,696</u>

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

## 17. Debtors

	2020 £	2019 £
Trade debtors	1,062,216	2,168,762
Amounts owed by group undertakings	179,875	179,875
Other debtors	690,639	762,999
Prepayments and accrued income	215,452	445,606
	<u>2,148,182</u>	<u>3,557,242</u>

# Notes to the financial statements

For the Year Ended 30 September 2020

## 18. Cash and cash equivalents

	2020 £	2019 £
Cash at bank and in hand	231,556	564,921
	<u>231,556</u>	<u>564,921</u>

## 19. Creditors: Amounts falling due within one year

	2020 £	2019 £
Trade creditors	791,847	715,322
Amounts owed to group undertakings	10,307,596	11,455,087
Other taxation and social security	488,768	102,544
Other creditors	93,587	188,071
Accruals and deferred income	1,625,163	1,027,628
	<u>13,306,961</u>	<u>13,488,652</u>

# Notes to the financial statements

For the Year Ended 30 September 2020

## 20. Deferred taxation

	2020 £	2019 £
At beginning of year	32,763	32,763
Charged to profit or loss	(32,763)	-
At end of year	<u>-</u>	<u>32,763</u>

The deferred taxation balance is made up as follows:

	2020 £	2019 £
Accelerated capital allowances	-	32,763
	<u>-</u>	<u>32,763</u>

## 21. Provisions

	Warranty provision £	Government grant £	Total £
At 1 October 2019	60,505	67,944	128,449
Charged to profit or loss	-	(5,002)	(5,002)
At 30 September 2020	<u>60,505</u>	<u>62,942</u>	<u>123,447</u>

## 22. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
150 (2019 - 150) Ordinary shares of £1.00 each	<u>150</u>	<u>150</u>



## Notes to the financial statements

For the Year Ended 30 September 2020

### 23. Reserves

#### Share premium account

Includes all current and prior year amounts paid for shares in excess of their nominal value.

#### Profit and loss account

This includes all current and prior period retained profits and losses.

### 24. 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 cost of contributions in the period was £100,160 (2019: £87,930) represents contributions payable by the company to the fund. Contributions totalling £25,613 (2019: £18,977) were payable to the fund at the balance sheet date.

### 25. Commitments under operating leases

At 30 September 2020 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	244,548	244,548
Later than 1 year and not later than 5 years	954,069	978,192
Later than 5 years	-	220,425
	<u>1,198,617</u>	<u>1,443,165</u>

### 26. Related party transactions

The company has availed of the exemption under FRS102 section 33 which does not require disclosure of transactions entered into between any subsidiary undertaking which is wholly owned by a member of that group.

### 27. Post balance sheet events

The shareholders provided £550,000 of additional funding to the business in November 2020 to assist with its cashflow requirement.

### 28. Controlling party

The company is a 100% owned subsidiary of Seven Technologies Holdings Limited, which is deemed to be the controlling party.