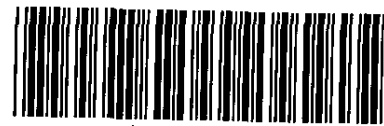


IOBAC LIMITED
CONSOLIDATED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

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IOBAC LIMITED

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IOBAC LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report for the year ended 31 December 2017.

Review of the business

IOBAC Limited ("IOBAC") has significantly expanded its offerings and capabilities in 2017. In February 2017 IOBAC raised additional equity from existing investors and undertook to expand its technology at the right price into new markets. The investment saw a downsizing of the workforce and streamlining of operations to reduce cash burn and enable a technology build-out phase. IOBAC has focussed and succeeded on building out its technology at the right price. IOBAC filed a new product composition patent in August 2017 and with it added a low cost magnetically receptive layer that provides superior hold and grab with much lower costs per square metre. There is continued engagement at various levels with over 30 major retailers in the US and UK, as well as a number of distributors, and the IOBAC system is being trialled and reviewed by premium retail brands. The development costs have been funded by the equity investments made to date. The key shareholders maintain their long-term commitment to the business.

Principal risks and uncertainties

Generally, risks are low as IOBAC does not hold any stock, buy or sell materials or install any of its patented system. Risks surrounding the installation of the IOBAC magnetised flooring system are covered, in the main, by contractors' insurance and manufacturers warranties. IOBAC approves and trains the contractors to lay the system. The principal risk to the business centres around the ability of Management to successfully sell the IOBAC system to end users. accordingly, IOBAC has been lowering its price point which will increase the system's appeal in different markets, including residential.

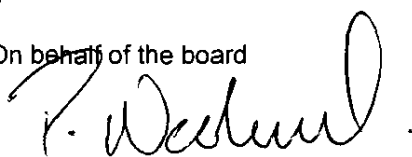
Future developments

IOBAC is focussed on making magnetic flooring the commercial flooring of choice. To do this the IOBAC magnetised flooring system needs to appeal to more markets at a better price point. In this regard, IOBAC will continue to focus on being a thought leader in the development of the supply chain and aim to achieve improved solutions for end users with enhanced resins, additives and top surface solutions. In line with its partnership-based approach, IOBAC continues to sign up more top surface manufacturers as approved suppliers to the IOBAC system.

Key performance indicators

The key indicators for the business are the number of clients specifying the IOBAC magnetic flooring system aligned to the number of manufacturers willing to magnetise their floorcoverings. IOBAC is successfully engaging and approving more suppliers and manufacturers. Over and above direct sales to end users, the volume expansion of the IOBAC system will rely on signing up flooring distribution and manufacturers on a global basis.

On behalf of the board



P Woolvine

Director

26 November 2018

IOBAC LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their group annual report and financial statements for the year ended 31 December 2017.

Principal activities

The principal activity of the company and the group continued to be the ownership and development of a patent for the development of specialist flooring solutions. The principal activity of the company's sole subsidiary undertaking, IOBAC UK Limited, is the development of specialist flooring solutions.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

I Spreadborough

L Smyth

P Woolvine

(Resigned 14 February 2017)

(Appointed 14 February 2017)

Acquisition of own shares

On 13 February 2017 the company converted its existing 576,482 Ordinary shares of £1 each to 576,482 Ordinary shares of £0.01 each and 576,482 Deferred shares of £0.99 each. The Deferred shares, representing 99% of the called-up share capital at that date, were then repurchased and cancelled by the company for a total consideration of £4. The purpose of the repurchase was to allow the directors to proceed with their plans for the development of the business.

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company, and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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 and company will continue in business.

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

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

IOBAC LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the company is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the company is aware of that information.

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

On behalf of the board



P Woolvine

Director

26 November 2018

IOBAC LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF IOBAC LIMITED

Opinion

We have audited the financial statements of IOBAC Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2017 which comprise the Group Profit And Loss Account, the Group Balance Sheet, the Company Balance Sheet, the Group Statement of Changes in Equity, the Company Statement of Changes in Equity 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2017 and of its 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 company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

!OBAC LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF !OBAC LIMITED

Matters on which we are required to report by exception

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 Directors' Report.

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

- adequate accounting records have not been kept 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' Report and take advantage of the small companies exemption from the requirement to prepare a Strategic Report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, 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: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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.

Susan Ambrose (Senior Statutory Auditor)
for and on behalf of Howard Lee, Fellows & Co
Chartered Accountants
Statutory Auditor

26 November 2018

92 Park Street
Camberley
Surrey
GU15 3NY

IOBAC LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £	2016 £
Turnover		39,740	106,100
Cost of sales		(17,309)	(28,434)
Administrative expenses		(490,091)	(979,017)
Operating loss		(467,660)	(901,351)
Interest receivable and similar income	4	-	125
Interest payable and similar expenses		614,200	(152,800)
Profit/(loss) before taxation		146,540	(1,054,026)
Taxation		(25,047)	-
Profit/(loss) for the financial year		<u>121,493</u>	<u>(1,054,026)</u>

IOBAC LIMITED

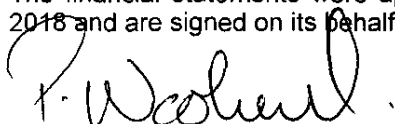
GROUP BALANCE SHEET

AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	5	506,647		443,959	
Tangible assets	6	4,588		6,334	
			511,235		450,293
Current assets					
Debtors	9	21,595		37,328	
Cash at bank and in hand		97,019		82,338	
			118,614		119,666
Creditors: amounts falling due within one year	10	(312,313)		(835,333)	
Net current liabilities			(193,699)		(715,667)
Total assets less current liabilities			317,536		(265,374)
Creditors: amounts falling due after more than one year	11		-		(3,051,000)
Net assets/(liabilities)			317,536		(3,316,374)
Capital and reserves					
Called up share capital	13	26,487		576,482	
Share premium account		3,614,830		123,131	
Capital redemption reserve		570,739		26	
Profit and loss reserves		(3,894,520)		(4,016,013)	
Equity attributable to owners of the parent company			317,536		(3,316,374)

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on 26 November 2018 and are signed on its behalf by.



P Woolvine
Director


IOBAC LIMITED

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2017

	Notes	2017 £	£	2016 £	£
Fixed assets					
Intangible assets	5	501,702		435,414	
Investments	7	100		100	
		<u>501,802</u>		<u>435,514</u>	
Current assets					
Debtors	9	3,485,488	2,791,944		
Cash at bank and in hand		-	32		
		<u>3,485,488</u>	<u>2,791,976</u>		
Creditors: amounts falling due within one year	10	<u>(162,166)</u>	<u>(475,684)</u>		
Net current assets		3,323,322		2,316,292	
Total assets less current liabilities		3,825,124		2,751,806	
Creditors: amounts falling due after more than one year	11	-		(3,051,000)	
Net assets/(liabilities)		<u>3,825,124</u>		<u>(299,194)</u>	
Capital and reserves					
Called up share capital	13	26,487		576,482	
Share premium account		3,614,830		123,131	
Capital redemption reserve		570,739		26	
Profit and loss reserves		<u>(386,932)</u>		<u>(998,833)</u>	
Total equity		<u>3,825,124</u>		<u>(299,194)</u>	

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The financial statements were approved by the board of directors and authorised for issue on 26 November 2018 and are signed on its behalf by:



P Woolvine
Director

Company Registration No. FC031362

IOBAC LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2016		400,074	-	26	(2,961,987)	(2,561,887)
Year ended 31 December 2016:						
Loss and total comprehensive income for the year		-	-	-	(1,054,026)	(1,054,026)
Issue of share capital	13	176,408	123,131	-	-	299,539
Balance at 31 December 2016		576,482	123,131	26	(4,016,013)	(3,316,374)
Year ended 31 December 2017:						
Profit and total comprehensive income for the year		-	-	-	121,493	121,493
Issue of share capital	13	20,722	3,491,699	-	-	3,512,421
Redemption of shares	13	(570,717)	-	570,717	-	-
Other movements		-	-	(4)	-	(4)
Balance at 31 December 2017		26,487	3,614,830	570,739	(3,894,520)	317,536

IOBAC LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Share capital £	Share premium account £	Capital redemption reserve £	Profit and loss reserves £	Total £
Balance at 1 January 2016		400,074	-	26	(855,584)	(455,484)
Year ended 31 December 2016:						
Loss and total comprehensive income for the year		-	-	-	(143,249)	(143,249)
Issue of share capital	13	176,408	123,131	-	-	299,539
Balance at 31 December 2016		576,482	123,131	26	(998,833)	(299,194)
Year ended 31 December 2017:						
Profit and total comprehensive income for the year		-	-	-	611,901	611,901
Issue of share capital	13	20,722	3,491,699	-	-	3,512,421
Redemption of shares	13	(570,717)	-	570,717	-	-
Other movements		-	-	(4)	-	(4)
Balance at 31 December 2017		26,487	3,614,830	570,739	(386,932)	3,825,124

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

Company information

IOBAC Limited ("the Company") is a private company limited by shares which is domiciled and incorporated in Guernsey. The registered office is 1st and 2nd Floors, Elizabeth House, Les Rueties Brayes, St Peter Port, Guernsey, GY1 1EW. The principal place of business is Unit 11, Brook Farm, Stapleford Road, Stapleford Abbots, RM4 1EJ.

The Group consists of IOBAC Limited and its sole subsidiary, IOBAC UK Limited.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in pounds sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest pound.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's profit for the year was £611,901 (2016 - £143,249 loss).

1.2 Basis of consolidation

The consolidated financial statements incorporate those of IOBAC Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes. All financial statements are made up to 31 December 2017.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

1.3 Going concern

As at 31 December 2017 the company and group had negative profit and loss reserves. The directors are nevertheless of the opinion that the going concern basis of accounting remains appropriate, and the company will continue to operate effectively for the foreseeable future, owing in part to the continued financial support of the existing shareholders. The directors are also confident of bringing the company's product effectively to market in the near future to generate positive working capital, and are in the process of securing substantial investment of fund the commercialisation of IOBAC's technologies. Since the balance sheet date the directors have already secured inward investment from the existing investors in order to complete the funding of the product development.

1.4 Turnover

Turnover represents royalties earned in relation to the sale of products and services utilising the patented know-how held by the company. Royalties are recognised on an accruals basis in accordance with the substance of the sale contract.

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

1.5 Intangible fixed assets other than goodwill

Intangible assets are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Patent costs	Not currently amortised
Website costs	Straight line over 3 years

The patents held by the company are not currently being amortised on the basis that the patent rights to market the products and services fully remain in the process of being granted on a market-by-market basis, and therefore the patents are not fully operational commercially. The company's sales utilising the technology and currently being made on a test and trial basis only.

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases.

Fixtures and fittings	25% Straight line
-----------------------	-------------------

1.7 Fixed asset investments

Fixed asset investments comprise interests in subsidiaries. These are initially measured at cost and subsequently measured at cost less diminution in value.

1.8 Impairment of fixed assets

At each reporting end date, the group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.9 Financial instruments

The group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Basic financial assets

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled.

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other payables, are initially recognised at transaction price and are subsequently carried at amortised cost.

Derecognition of financial liabilities

Financial liabilities are derecognised when the group's contractual obligations expire or are discharged or cancelled.

1.10 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.11 Operating leases

Rentals payable under operating leases are charged to income on a straight line basis over the term of the relevant lease.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

2 Auditors' remuneration

	2017 £	2016 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	1,000	1,000
Audit of the company's subsidiaries	1,000	2,400
	<u>2,000</u>	<u>3,400</u>

3 Employees

The average monthly number of persons (including directors) employed by the group and company during the year was:

	Group 2017 Number	2016 Number	Company 2017 Number	2016 Number
Total employees	<u>7</u>	<u>11</u>	<u>2</u>	<u>3</u>

4 Interest receivable and similar income

	2017 £	2016 £
Other interest receivable and similar income	<u>-</u>	<u>125</u>

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

5 Intangible fixed assets

Group	Patent costs £	Website costs £	Total £
Cost			
At 1 January 2017	435,414	10,800	446,214
Additions	71,192	-	71,192
Transfers	(4,904)	-	(4,904)
At 31 December 2017	501,702	10,800	512,502
Amortisation and impairment			
At 1 January 2017	-	2,255	2,255
Amortisation charged for the year	-	3,600	3,600
At 31 December 2017	-	5,855	5,855
Carrying amount			
At 31 December 2017	501,702	4,945	506,647
At 31 December 2016	435,414	8,545	443,959
Company		Patent costs	
		£	
Cost			
At 1 January 2017		435,414	
Additions		71,192	
Transfers		(4,904)	
At 31 December 2017		501,702	
Amortisation and impairment			
At 1 January 2017 and 31 December 2017		-	
Carrying amount			
At 31 December 2017		501,702	
At 31 December 2016		435,414	

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

6 Tangible fixed assets

Group	Fixtures and fittings
	£
Cost	
At 1 January 2017	7,616
Additions	2,225
Disposals	(2,286)
At 31 December 2017	7,555
Depreciation and impairment	
At 1 January 2017	1,282
Depreciation charged in the year	1,889
Eliminated in respect of disposals	(204)
At 31 December 2017	2,967
Carrying amount	
At 31 December 2017	4,588
At 31 December 2016	6,334

7 Fixed asset investments

	Group 2017 £	2016 £	Company 2017 £	2016 £
Shares in group undertakings	-	-	100	100

Movements in fixed asset investments Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2017 and 31 December 2017	100
Carrying amount	
At 31 December 2017	100
At 31 December 2016	100

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2017

8 Subsidiaries

Details of the company's subsidiary, in which the company owns one hundred percent of the voting rights, at 31 December 2017 is as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
IOBAC UK Limited	England and Wales	Flooring specialist	Ordinary	100.00	-

The registered office of IOBAC UK Limited is Endeavour House, Coopers End Road, Stansted Airport, CM24 1SJ.

9 Debtors

	Group 2017 £	2016 £	Company 2017 £	2016 £
Amounts falling due within one year:				
Trade debtors	9,980	5,188	9,980	5,188
Amounts owed by group	-	-	3,470,315	2,769,874
Other debtors	11,615	32,140	5,193	16,882
	<u>21,595</u>	<u>37,328</u>	<u>3,485,488</u>	<u>2,791,944</u>

10 Creditors: amounts falling due within one year

	Group 2017 £	2016 £	Company 2017 £	2016 £
Trade creditors	24,310	152,611	19,822	132,942
Corporation tax payable	25,047	-	25,047	-
Other taxation and social security	26,963	17,278	16,963	792
Other creditors	235,993	665,444	100,334	341,950
	<u>312,313</u>	<u>835,333</u>	<u>162,166</u>	<u>475,684</u>

11 Creditors: amounts falling due after more than one year

	Group 2017 £	2016 £	Company 2017 £	2016 £
Notes				
Other creditors	-	3,051,000	-	3,051,000
	<u>-</u>	<u>3,051,000</u>	<u>-</u>	<u>3,051,000</u>
Amounts included above which fall due after five years are as follows:				
Payable other than by instalments	-	(1,850,000)	-	(1,850,000)
	<u>-</u>	<u>(1,850,000)</u>	<u>-</u>	<u>(1,850,000)</u>

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

12 Securities and charges

There is a debenture in place in favour of the subsidiary's bank comprising fixed and floating charges over all the assets and undertakings of the subsidiary.

See the note "Events after the reporting date" for details of the security issued by the company subsequent to the balance sheet date.

13 Share capital

	Group and company	
	2017	2016
	£	£
Ordinary share capital		
Issued and fully paid		
2,648,706 Ordinary shares of 1p each	26,487	576,482

Reconciliation of movements during the year:

	Ordinary (£1)	Ordinary (£0.01)	Deferred (£0.99)
	Number	Number	Number
At 1 January 2017	576,482	-	-
Share conversion	(576,482)	576,482	576,482
Share repurchase	-	-	(576,482)
Share issue	-	2,072,224	-
At 31 December 2017	-	2,648,706	-

On 13 February 2017 the company converted its existing 576,482 Ordinary shares of £1 each to 576,482 Ordinary shares of £0.01 each and 576,482 Deferred shares of £0.99 each. The Deferred shares, representing 99% of the called-up share capital at that date, were then repurchased and cancelled by the company for a total consideration of £4. The purpose of the repurchase was to allow the directors to proceed with their plans for the development of the business.

On the same day the company subsequently issued 2,072,224 Ordinary £0.01 shares at an exercise price of £1.695 each, for a total consideration of £3,512,421. The consideration was the partial repayment of the loans shown under other creditors in the 2016 figures within note 11.

14 Operating lease commitments

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows.

	Group		Company	
	2017	2016	2017	2016
	£	£	£	£
Within one year	570	13,581	-	-

IOBAC LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2017**

15 Related party transactions

On 13 February 2017 D F Smyth, a substantial shareholder in the company and until 14 February a person authorised to accept the service of documents for the company's UK establishment, waived an amount of £275,000 which was part of a loan which had been made to the company.

16 Events after the reporting date

On 28 March 2018 the company issued £215,000 15% convertible loan notes, which are secured via a debenture comprising fixed and floating charges over the assets of the company. The notes are due for repayment via conversion into preference shares at the earlier of 30 June 2020 or the company's raising of £175,000 equity capital.

On the same date the company issued share warrants giving the warrant holders the right to subscribe for 63,422 Ordinary 1 pence shares at an exercise price of par. The warrants may be executed at any point up to 30 June 2023.