Registered No 03170812

Security Research Group plc

Annual Report and Accounts

Year ended 31 March 2017

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Corporate Governance

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Strategic report

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

Strategy and business model

The Group had two divisions in the year under review, a Property Information Services division and a Packaging Solutions division, having sold its Specialist Electronics division last year.

The Property Information Services division is one of the top three providers of property information searches. The division runs a national franchising network together with its own large franchise and also has an energy reports business and a regulated business, sourcing financial products.

The clients are conveyancing solicitors, who undertake the legal side of a property transaction.

The Packaging Solutions division provides flexible packaging solutions to a variety of industry sectors, including the food and pharmaceutical markets.

Business review

The Group's profit before taxation for the year was £574,697 compared with a loss of £57,356 in the previous year whilst revenue decreased from £6,843,422 to £6,793,483.

In the Property Information Services division the operating profit was £1,010,880 compared with £1,022,090 in the previous year whilst revenue increased from £5,059,585 to £5,160,417.

During the year the division continued to enhance its cutting edge technology platform and began to see financial benefits from these enhancements.

In the Packaging Solutions division the operating profit was £266,813 compared with £160,188 in the previous year whilst revenue increased from £1,469,037 to £1,633,066.

This division continues to perform profitably in its niche marketplace.

Discontinued operations

Since the year end the Property Information Services division has been sold to a third party and it is now the intention to liquidate the Parent Company. Therefore all of the results for the year have been accounted for as discontinued operations.

Principal risks and uncertainties

The Packaging Solutions business depends on small orders and could be affected by any change in the economic environment.

Key performance indicators (KPIs)

The board monitors progress on the overall Group strategy and the individual strategic elements by reference to KPIs, specifically revenue growth, gross margin, administrative expenses, profit before taxation and working capital levels.

As noted in the business review above, the Group's profit before taxation for the year was £574,697 compared with a loss of £57,356 in the previous year, whilst revenue decreased from £6,843,422 to £6,793,483.

The average number of employees in the year reduced from 71 to 56, with employment costs reducing from £2,283,391 to £1,889,388.

The number of housing transactions decreased in the year.

Cash and cash equivalents in the Group increased from £5,698,652 at 1 April 2016 to £7,330,585 at 31 March 2017 equivalent to 37.01p (2016 – 28.77p) per share.

The environment
The Group regards compliance with relevant environmental laws and the adoption of responsible standards as integral to its business operation. It is also committed to introducing measures to limit any adverse effects its business may have on the environment and will promote continuous improvement in accordance with the best available techniques.

Disposal of the businesses
It was previously announced that following a review of the businesses that the board had determined that the best available route for shareholders was for the company to pursue a strategy of disposing of each of its businesses with the intention of returning surplus cash to shareholders within three years. The Specialist Electronic division was sold last year and since the year end the Property Information Services division has been sold. Liquidators have been instructed to commence the process of placing the Parent Company into members' voluntary liquidation and assuming approval by shareholders it is anticipated that shareholders will receive an initial distribution of around 60p per share together with a distribution in specie of shares in the Packaging Solutions division.

By order of the board
J A Warwick
John Warwick
Director
26 June 2017

The directors present herewith their annual report and the audited financial statements for the year ended 31 March 2017.

dividends

The directors do not recommend payment of a dividend.

directors and their interests

The directors of the Company during the financial year were:

J P Mervis
B C Connor
J A Warwick

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity and credit. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains sufficient funds for current operations.

(b) credit risk

Credit risk refers to the risk that a counterparty will default on contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating financial risks from defaults.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group has no significant concentration of credit risk with exposure spread over a large number of customers. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management, based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The directors consider that the maximum exposure of the Group to credit risk to be the current assets of the Group excluding inventories.

directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

The directors are required under company legislation to prepare financial statements for each financial year. Under that law the directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and the Group's profit or loss for that year. In preparing these financial statements, 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Group will continue in business. As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate for accounting of Security Research Group plc (entity) and therefore the results of the entity have not been prepared on that basis.

Directors' report

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group'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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that:-

- So far as each director is aware there is no relevant audit information of which the Company's auditors are unaware; and

- The directors have taken all steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The maintenance and integrity of the corporate and financial information on the Group's website is the responsibility of the directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A review of the Group's future developments is included in the Strategic Report.

By order of the board

J A Warwick

John Warwick
Director
26 June 2017

Independent Auditors' Report to the members of Security Research Group plc
For the year ended 31 March 2017

We have audited the financial statements of Security Research Group plc for the year ended 31 March 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Parent Company Statements of Changes in Equity, the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. As described in note 1, the results of the Parent Company have been prepared on a break up basis.

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 auditors' 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.

respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement set out on pages 4-5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and Parent Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Strategic Report and the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

opinion on financial statements

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 March 2017 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required 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.

Mr Nigel Fry (Senior Statutory Auditor)
For and on behalf of Milsted Langdon LLP
Chartered Accountants and Statutory Auditors
Taunton
26 June 2017

Consolidated Income Statement
For the year ended 31 March 2017

	Note	**2017** **Discontinued** **Operations** **£**	2016 Discontinued Operations £
Revenue	2	**6,793,483**	6,843,422
Cost of sales		**(3,421,502)**	(3,473,362)
Gross profit		**3,371,981**	3,370,060
Administrative expenses		**(2,486,706)**	(3,080,889)
Operating profit/(loss) before exceptional items		**885,275**	289,171
Exceptional administrative expenses	3	**(337,500)**	(373,892)
Operating profit/(loss) for the year	4	**547,775**	(84,721)
Finance income	8	**26,922**	27,365
Profit/(loss) on ordinary activities before taxation		**574,697**	(57,356)
Income tax expense	9	**(137,935)**	(98,830)
Profit/(loss) on ordinary activities after taxation		**436,762**	(156,186)

Consolidated statement of comprehensive income
For the year ended 31 March 2017

The profit/(loss) on ordinary activities after taxation represents the Group's total comprehensive income for the year.

The notes on pages 13 to 32 form part of these financial statements.

Statements of Changes in Equity
For the year ended 31 March 2017

Group

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 April 2015	3,865,780	551,758	1,984,836	4,041,215	10,443,589
Issue of new ordinary shares on exercise of options	96,032	53,007	-	-	149,039
Share based payments	-	-	-	91,040	91,040
Total comprehensive income for the year	-	-	-	(156,186)	(156,186)
At 31 March 2016	3,961,812	604,765	1,984,836	3,976,069	10,527,482
Total comprehensive income for the year	-	-	-	436,762	436,762
At 31 March 2017	**3,961,812**	**604,765**	**1,984,836**	**4,412,831**	**10,964,244**

Company

	Share capital	Share premium	Capital redemption reserve	Retained earnings	Total equity
	£	£	£	£	£
At 1 April 2015	3,865,780	551,758	1,984,836	3,087,967	9,490,341
Issue of new ordinary shares on exercise of options	96,032	53,007	-	-	149,039
Share based payments	-	-	-	91,040	91,040
Total comprehensive income for the year	-	-	-	(231,580)	(231,580)
At 31 March 2016	3,961,812	604,765	1,984,836	2,947,427	9,498,840
Total comprehensive income for the year	-	-	-	313,909	313,909
At 31 March 2017	**3,961,812**	**604,765**	**1,984,836**	**3,261,336**	**9,812,749**

The notes on pages 13 to 32 form part of these financial statements.

Consolidated Statement of Financial Position
As at 31 March 2017

Registered No - 03170812

	Note	2017 £	2017 £	2016 £	2016 £
Non-current assets					
Goodwill	13		-		3,200,000
Other intangible assets	14		-		95,958
Property, plant and equipment	15		3,256		167,970
			3,256		3,463,928
Current assets					
Inventories	18	-		577,446	
Trade and other receivables	19	11,963		2,333,975	
Current tax receivable		-		74,075	
Cash and cash equivalents		5,072,306		5,698,652	
Assets classified as held for sale	12	7,630,905		-	
		12,715,174		8,684,148	
Current liabilities					
Trade and other payables	21	(63,922)		(1,513,457)	
Current tax payable		(42,264)		(107,137)	
Liabilities directly associated with assets classified as held for sale	12	(1,648,000)		-	
		(1,754,186)		(1,620,594)	
Net current assets			10,960,988		7,063,554
Net assets			10,964,244		10,527,482

Represented by:

	Note	2017 £	2016 £
Capital and reserves attributable to equity holders			
Called up share capital	22	3,961,812	3,961,812
Share premium account	22	604,765	604,765
Capital redemption reserve	22	1,984,836	1,984,836
Retained earnings		4,412,831	3,976,069
Total equity		10,964,244	10,527,482

Approved and authorised for issue by the board on 26 June 2017 and signed on its behalf by:-

JMervis

Jonathan Mervis
Director

The notes on pages 13 to 32 form part of these financial statements.

Company Statement of Financial Position
As at 31 March 2017

Registered No - 03170812

	Note	2017 £	2017 £	2016 £	2016 £
Non-current assets					
Property, plant and equipment	15		**3,256**		22,293
Investments in subsidiaries	16		**-**		5,216,910
			3,256		5,239,203
Current assets					
Trade and other receivables	19	**11,963**		514,523	
Cash and cash equivalents		**5,072,306**		4,179,779	
Assets classified as held for sale	16	**5,216,910**		-	
		10,301,179		4,694,302	
Current liabilities					
Trade and other payables	21	**(449,422)**		(412,583)	
Current tax payable		**(42,264)**		(22,082)	
		(491,686)		(434,665)	
Net current assets			**9,809,493**		4,259,637
Net assets			**9,812,749**		9,498,840
Represented by:					
Capital and reserves attributable to equity holders					
Called up share capital	22		**3,961,812**		3,961,812
Share premium account	22		**604,765**		604,765
Capital redemption reserve	22		**1,984,836**		1,984,836
Retained earnings			**3,261,336**		2,947,427
Total equity			**9,812,749**		9,498,840

Approved and authorised for issue by the board on 26 June 2017 and signed on its behalf by:-

J Mervis

Jonathan Mervis
Director

The notes on pages 13 to 32 form part of these financial statements.

Statements of Cash Flows
For the year ended 31 March 2017

	Group		Company	
	2017	2016	**2017**	2016
	£	£	**£**	£
Cash flows from discontinued operating activities				
Profit /(loss) before taxation	**574,697**	(57,356)	**356,173**	(209,716)
Adjustments for:				
Depreciation of property, plant and equipment	**66,980**	92,283	**2,868**	5,105
Loss on disposal of subsidiary	**-**	373,892	**-**	452,412
Impairment of goodwill	**337,500**	-	**-**	-
Amortisation of other intangible assets	**78,656**	193,504	**-**	-
Profit on disposal of tangible assets	**(24,860)**	(8,986)	**(25,531)**	(8,032)
Interest receivable	**(26,922)**	(27,365)	**(22,590)**	(18,669)
Dividends receivable	**-**	-	**(150,000)**	(147,000)
Share based payments	**-**	91,040	**-**	91,040
Changes in working capital:				
Decrease /(increase) in inventories	**128,424**	(9,251)	**-**	-
Decrease in receivables	**442,716**	109,677	**502,560**	24,115
Increase/(decrease) in payables	**127,253**	(314,823)	**36,839**	(2,915)
Cash generated from operations	**1,704,444**	442,615	**700,319**	186,340
Income tax paid	**(57,521)**	(37,478)	**(22,082)**	(4,345)
Net cash generated from discontinued operating activities	**1,646,923**	405,137	**678,237**	181,995
Cash flows from investing activities				
Purchase of property, plant and equipment	**(11,422)**	(60,198)	**(1,707)**	(18,427)
Expenditure on other intangible assets	**(85,897)**	(177,051)	**-**	-
Proceeds from the sale of property, plant and equipment	**55,407**	33,281	**43,407**	23,032
Net proceeds on disposal of subsidiary	**-**	480,000	**-**	480,000
Dividends received	**-**	-	**150,000**	1,047,000
Interest received	**26,922**	27,365	**22,590**	18,669
Net cash (used in)/generated from investing activities	**(14,990)**	303,397	**214,290**	1,550,274
Cash flows from financing activities				
Issue of share capital	**-**	149,039	**-**	149,039
Net cash generated from financing activities	**-**	149,039	**-**	149,039
Net increase in cash and cash equivalents	**1,631,933**	857,573	**892,527**	1,881,308
Cash and cash equivalents at beginning of period	**5,698,652**	4,841,079	**4,179,779**	2,298,471
Cash and cash equivalents at end of period	**7,330,585**	5,698,652	**5,072,306**	4,179,779

The notes on pages 13 to 32 form part of these financial statements.

Note to the Statements of Cash Flows
For the year ended 31 March 2017

analysis of net funds

Group	At 1 April 2016 £	Cash flow £	**At 31 March 2017 £**
Cash and cash equivalents	5,698,652	1,631,933	**7,330,585**
	5,698,652	1,631,933	**7,330,585**

Company	At 1 April 2016 £	Cash flow £	**At 31 March 2017 £**
Cash and cash equivalents	4,179,779	892,527	**5,072,306**
	4,179,779	892,527	**5,072,306**

The notes on pages 13 to 32 form part of these financial statements.

1. accounting policies

Security Research Group plc, company number 03170812, is domiciled and incorporated in England under the Companies Act 1985. The company's registered office is Vicarage House, 58-60 Kensington Church Street, London, W8 4DB.

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations adopted for use by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention except for the Parent Company which has been prepared under the break up basis.

There were no new standards or interpretations that have been adopted by the Group in the current period.

There are no interpretations and amendments to existing standards that have been issued but are not yet effective that will have a material impact on the financial statements and have not been early adopted by the Group.

The preparation of financial statements in accordance with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The directors have used significant judgements relating to assumptions concerning goodwill, recognition of development and web design costs, and whether amounts included within accruals and deferred income will be payable.

The Group is required to test, at least annually, whether goodwill has suffered any impairment. The recoverable amount is determined based on value in use calculations for cash generating units that are not held for sale. The use of this method required the estimation of future cash flows and the choice of a suitable discount rate in order to calculate the present value of these cash flows. For goodwill in relation to cash generating units held for sale the recoverable amount is determined based on the fair value less costs of disposal.

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the Group's financial statements:

(a) going concern

Following the sale of the Property Information Services division in June 2017 and the board's decision post year end that it would instruct liquidators to commence the process to place the Parent Company into members' voluntary liquidation and to distribute in specie the shares in the Packaging Solutions division to the shareholders of the Parent Company, the Parent Company is not a going concern. Therefore the results of the entity within these financial statements have not been accounted for on a going concern basis. The impact on the financial statements is to value all of the holdings company's assets and liabilities on a break up basis.

(b) consolidation

The consolidated financial statements include those of the Company and its subsidiaries from their date of acquisition. All acquisitions of subsidiaries have been accounted for under the acquisition method of accounting.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary. Specifically the income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the company gains control; until the date when the company ceases to control the subsidiary.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

When the group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest.

Under Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement.

1. accounting policies (continued)

(c) non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying value and fair value less costs to sell.

(d) revenue

Revenue represents amounts receivable for goods and services net of VAT and discount and intra-Group transactions.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group, it can be reliably measured and the following criteria are met:

(i) sale of goods

Sale of goods are recognised when risks and rewards of ownership of the goods have passed to the customer. Certain income is recognised on a milestone basis subject to meeting the criteria as stated within the relevant contract.

(ii) rendering of services

Rendering of services are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction.

(e) property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairment costs.

Depreciation is provided to write-off the cost less estimated residual value (based on prices prevailing at the date of acquisition) in annual instalments over the estimated useful economic lives of the assets. The depreciation rates used are as follows:

Leasehold property	Straight line over the life of the lease/life of contract
Fixtures, fittings and equipment	15% - 50% straight line/life of contract
Motor vehicles	25% - 40% straight line

(f) investments

Investments in subsidiary companies are valued at cost less provision for diminution in value.

(g) goodwill

Goodwill represents the difference between the fair value of the consideration paid on the acquisition of a business and the fair value of the identifiable net assets acquired.

Goodwill arising on acquisitions is capitalised and subjected to annual impairment reviews. Any excess of goodwill over the value in use of the underlying assets is written off to administrative expenses in the consolidated income statement. The directors consider that the goodwill has an infinite life. On disposal of a relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1. accounting policies (continued)

(h) foreign currency translation

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in pounds sterling, which is the functional and presentational currency.

The Group has foreign currency transactions arising from the sales and purchases by an operating subsidiary in a currency other than the subsidiary's functional currency. Under the Group's foreign exchange policy, such transactions are recorded at the rate of exchange prevailing at the transaction date.

Assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the end of the financial year. All exchange differences are dealt with in the consolidated income statement.

(i) leasing

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

(j) deferred tax

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are considered recoverable in the foreseeable future. Any changes in the deferred tax asset are recognised immediately in the consolidated income statement.

The deferred tax balance has not been discounted.

(k) liquid resources

Liquid resources are defined as short term bank deposits and cash in hand.

(l) development expenditure and web design costs

Development expenditure and web design costs which meet the criteria for capitalisation, shown as other intangible assets, are written off over the period for which they are estimated to benefit future profitability of the Group but for no longer than 3 years, as the directors consider that the development expenditure and web design costs have a finite life.

(m) inventories

Inventories are stated at the lower of cost and net realisable value using the First In First Out (FIFO) cost basis. Costs include all direct costs incurred in bringing the inventories to their present location and condition, including where appropriate, a proportion of manufacturing overheads.

(n) pensions

The pension costs charged represent the contribution payable by the Group in the year.

(o) share based payments

The Group issues equity-settled share based payments to certain employees and directors. Equity-settled share based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and with a corresponding adjustment to equity.

Fair value is measured by use of the relevant option pricing models. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

(p) financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractural arrangement, as financial assets, financial liabilities or equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

2. segmental analysis

Business analysis

	2017			2016		
	Revenue	**Internal management charges**	**External sales**	Revenue	Internal management charges	External sales
	£	**£**	**£**	£	£	£
Specialist electronics	**-**	**-**	**-**	314,800	-	314,800
Property information services	**5,160,417**	**-**	**5,160,417**	5,059,585	-	5,059,585
Packaging solutions	**1,633,066**	**-**	**1,633,066**	1,469,037	-	1,469,037
Head office	**600,000**	**(600,000)**	**-**	600,000	(600,000)	-
Total for discontinued operations	**7,393,483**	**(600,000)**	**6,793,483**	7,443,422	(600,000)	6,843,422

	2017		2016	
	Operating profit/(loss)	**Net assets/ (liabilities)**	Operating (loss)/profit	Net assets
	£	**£**	£	£
Specialist electronics	**-**	**-**	(370,154)	-
Property information services	**1,010,880**	**2,254,788**	1,022,090	2,417,373
Packaging solutions	**266,813**	**1,469,838**	160,188	1,963,802
Head office	**(392,418)**	**(90,967)**	(522,953)	447,655
	885,275	**3,633,659**	289,171	4,828,830
Exceptional items	**(337,500)**	**-**	(373,892)	-
	547,775	**3,633,659**	(84,721)	4,828,830
Interest bearing assets		**7,330,585**		5,698,652
Net assets		**10,964,244**		10,527,482

Revenue of specialist electronics and packaging solutions is represented by the sale of goods and revenue of property information services is represented by services rendered.

The activities of the Group are the manufacture and sale of specialist electronic equipment, the operation of a property franchising network together with its own large franchise and the manufacture of flexible packaging products.

Net assets analysis

	2017			2016		
	Segmental assets	**Segmental liabilities**	**Segmental net assets/ (liabilities)**	Segmental assets	Segmental liabilities	Segmental net assets
	£	**£**	**£**	£	£	£
Specialist electronics				-	-	-
Property information services	**3,688,113**	**(1,433,325)**	**2,254,788**	3,762,079	(1,344,706)	2,417,373
Packaging solutions	**1,684,513**	**(214,675)**	**1,469,838**	2,150,529	(186,727)	1,963,802
Head office	**15,219**	**(106,186)**	**(90,967)**	536,816	(89,161)	447,655
	5,387,845	**(1,754,186)**	**3,633,659**	6,449,424	(1,620,594)	4,828,830

2. segmental analysis (continued)

Additions to non-current assets and non-cash payments

	2017		2016	
	Additions to non-current assets	**Depreciation and amortisation**	Additions to non-current assets	Depreciation and amortisation
	£	**£**	£	£
Specialist electronics	**-**	**-**	135,600	(127,412)
Property information services	**91,316**	**(133,814)**	98,222	(142,607)
Packaging solutions	**4,296**	**(9,625)**	-	(10,663)
Head office	**1,707**	**22,663**	3,427	(5,105)
	97,319	**(120,776)**	237,249	(285,787)

All assets are held in the UK.

Geographical information

The Group operates in four main geographical areas although they are managed on a worldwide basis. Revenue is split as follows:

	2017	2016
	£	£
United Kingdom	**6,674,877**	6,600,641
Asia and Middle East	**48,303**	130,400
Europe	**26,305**	102,773
Other	**43,998**	9,608
	6,793,483	6,843,422

3. exceptional administrative expenses

	2017	2016
	£	£
Loss on disposal of specialist electronics division	**-**	373,892
Impairment of goodwill (Note 13)	**337,500**	-
	337,500	373,892

The amount of £337,500 relates to the impairment of the goodwill of the Packaging Solutions division. Last year the amount of £373,892 is in respect of the loss on disposal of the specialist electronic division.

4. operating profit/(loss)

	2017	2016
	£	£
Operating profit/(loss) is stated after charging/(crediting):		
Auditors' remuneration:		
– audit	51,000	51,380
– tax services	2,600	2,520
Depreciation	66,980	92,283
Amortisation of other intangible assets	78,656	193,504
Profit on disposal of fixed assets	(24,860)	(8,986)
Loss on exchange differences	431	-
Operating lease rentals:		
– plant and machinery	7,010	5,168
– other assets	184,610	194,670
Exceptional expenses - note 3	337,500	373,892
Research and development	-	197,000

Remuneration for audit services payable to Milsted Langdon LLP amounted to £19,000 (2016: £19,500) and tax compliance services fees amounted to £2,000 (2016: £2,000).

The auditors' remuneration for audit services includes £9,375 (2016: £9,305) attributable to the audit of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited and £22,625 (2016: £22,575) attributable to the audit of PSG Connect Limited, PSG Client Services Limited, PSG Energy Limited and PSG Financial Services Limited, subsidiaries of Security Research Group plc which are not audited by the Group's principal auditors. The auditors' remuneration for non-audit services includes £600 (2016: £520) payable to the auditors of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited.

5. staff costs

	2017	2016
	£	£
Staff costs are as follows:		
Wages and salaries	1,680,190	1,941,382
Share based payments	-	91,040
Social security costs	168,758	194,998
Pension contributions	40,440	55,971
	1,889,388	2,283,391

The average number of persons employed by the Group including directors was:

	2017	2016
	Number	Number
Administration	13	15
Production	43	50
Research and development	-	4
Sales and marketing	-	2
	56	71

6. pension costs

The Group operates a defined contribution pension scheme in respect of its directors and employees. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £40,440 (2016: £55,971).

7. directors' remuneration

	2017	2016
	£	£
Remuneration (including benefits in kind)	**229,094**	201,804
Share based payments	**-**	91,040
Pension contributions	**750**	-
	229,844	292,844

In respect of highest paid director:

	2017	2016
	£	£
Remuneration (including benefits in kind and share based payments)	**113,154**	117,081

In the year to 31 March 2017 the fair value costs of the share option scheme amounted to £Nil (2016: £91,040) all of which was applicable to the directors.

The number of directors who were receiving benefits were as follows:-

	2017	2016
	Number	Number
Accruing benefits under money purchase pension scheme	**1**	-
Accruing benefits under share option scheme	**-**	2

8. finance income

	2017	2016
	£	£
Bank interest	**26,922**	27,365

9. income tax expense

	2017	2016
	£	£
UK corporation tax at 20% (2016: 20%)	**137,935**	113,062
Over-provision in prior year	**-**	(4,114)
Current tax expense	**137,935**	108,948
Deferred tax expense	**-**	(10,118)
	137,935	98,830

9. income tax expense (continued)

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

	2017	2016
	£	£
Profit/(loss) on ordinary activities before taxation	**574,697**	(57,356)
Profit/(loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2016: 20%)	**114,940**	(11,471)
Effects of:		
Expenses not deductible for tax purposes	**11,558**	10,793
Depreciation (less)/ more than capital allowances	**(2,156)**	(2,776)
Research and development relief	**(52,579)**	(45,606)
Losses of specialist electronic division not relieved	-	145,698
Over-provision in prior year	-	(4,114)
Goodwill impairment	**67,500**	-
Other tax adjustments	**(1,328)**	6,306
	137,935	98,830

The Group has a carried forward loss for capital gains purposes amounting to £2,701,303 (2016: £2,716,177).

10. Profit/(loss) of Parent Company

	2017	2016
	£	£
Profit /(loss) on ordinary activities after taxation	**313,909**	(231,580)

11. Discontinued operations and assets held for sale

During the year it was resolved by the board that the Property Information Services division (PSG division) would be sold. The sale was agreed on 2 June 2017 and therefore the PSG division has been classified and accounted for at 31 March 2017 as a disposal group held for sale.

On 7 June 2017 it was announced by the board that they will be instructing liquidators to commence the process to place the Parent Company into a members' voluntary liquidation and therefore the Parent Company has been classified as a discontinued operation and accounted for under the break up basis.

It was also announced that it is the board's intention for the shares held by the Parent Company in Rochdale Development Company Limited will be distributed in specie to the Parent Company's shareholders and therefore has been classified and accounted for at 31 March 2017 as a disposal group held for sale. It is expect that this will take place within the next 12 months.

Prior to the impending liquidation of the Parent Company, the shares that are held in PSG Energy Limited, Chalenor Legal Services Limited and SR (Kensington) Limited, will be transferred to Rochdale Development Company Limited and therefore these companies have also been accounted for as assets held for sale.

Last year on 2 September 2015 the group disposed of Audiotel International Limited and its subsidiaries which carried out its specialist electronics operation.

The combined results of the discontinued operations (Audiotel International Limited and its subsidiaries up to the date of sale, PSG division, Rochdale Development Company Limited and its subsidiaries, PSG Energy Limited and the Parent Company) included in the profit for the year are set out within the consolidated income statement. The comparative profit and cash flows from discontinued operations have been re-presented to include those operations classified as discontinued in the current year.

11. Discontinued operations and assets held for sale (continued)

Cash flows from discontinued operations

	2017	2016
	£	£
Net cash Inflows from operating activities	**1,646,923**	405,137
Net cash (outflows)/inflow from investing activities	**(14,990)**	303,397
Net cash inflows from financing activities	**-**	149,039
Net cash inflow	**1,631,933**	857,573

12. Assets classified as held for sale

	2017
	£
Assets related to the Property Information Services division	**5,416,747**
Assets related to the Packaging Solutions division	**2,203,631**
Assets related to PSG Energy Limited	**10,527**
	7,630,905
Liabilities associated with the Property Information Services division	**(1,428,923)**
Liabilities associated with the Packaging Solutions division	**(214,675)**
Liabilities associated with PSG Energy Limited	**(4,402)**
	1,648,000

As described in note 11 the group sold the Property Information Services division on 2 June 2017. The fair value less costs to sell the business was higher than the aggregate carrying amount of the related assets and liabilities therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale as at 31 March 2017. The major classes of assets and liabilities of the Property Information Services division at the end of the reporting period are as follows;

	2017
	£
Goodwill	**2,000,000**
Property, plant and equipment	**159,178**
Trade and other receivables	**1,528,515**
Cash and cash equivalents	**1,729,054**
Assets of the Property Information Services division classified as held for sale	**5,416,747**
Trade and other payables	**(1,386,759)**
Current tax liabilities	**(42,164)**
Liabilities of the Property Information Services division associated with assets classified as held for sale	**(1,428,923)**
Net assets classified as held for sale	**3,987,824**

12. Assets classified as held for sale (continued)

As described in note 11 it was announced that it is the board's intention for the shares held by the Parent Company in Rochdale Development Company Limited will be distributed in specie to the Parent Company's shareholders and therefore has been classified and accounted for at 31 March 2017 as a disposal group held for sale. The board has considered the carrying value of the goodwill held by the group and has impaired it as considered necessary (see note 13). The major classes of assets and liabilities of the Packaging Solutions division at the end of the reporting period are as follows;

	2017 £
Goodwill	**862,500**
Property, plant and equipment	**22,630**
Inventories	**449,022**
Trade and other receivables	**350,361**
Cash and bank balances	**519,118**
Assets of the Packaging Solutions division classified as held for sale	**2,203,631**
Trade and other payables	**(185,627)**
Current tax liabilities	**(29,048)**
Liabilities of the Packaging Solutions division associated with assets classified as held for sale	**(214,675)**
Net assets classified as held for sale	**1,988,956**

As described in note 11 prior to the liquidation of the Parent Company, the shares that are held in PSG Energy Limited, Chalenor Legal Services Limited and SR (Kensington) Limited will be transferred to Rochdale Development Company Limited and therefore these companies have also been accounted for as assets held for sale. Both Chalenor Legal Services Limited and SR (Kensington) Limited have been dormant throughout this year. PSG Energy Limited ceased trading on 31 August 2016.

The major classes of assets and liabilities of PSG Energy Limited at the end of the reporting period are as follows;

	2017 £
Trade and other receivables	**420**
Cash and bank balances	**10,107**
Assets of PSG Energy Limited classified as held for sale	**10,527**
Trade and other payables	**(4,402)**
Liabilities of PSG Energy Limited associated with assets classified as held for sale	**(4,402)**
Net assets classified as held for sale	**6,125**

13. goodwill

Group	£
Cost	
At 1 April 2015	14,627,755
Derecognised on disposal of a subsidiary	(77,990)
At 31 March 2016	14,549,765
Classified as held for sale	(14,549,765)
At 31 March 2017	-
Impairment	
At 1 April 2015	11,354,613
Eliminated on disposal of a subsidiary	(4,848)
At 31 March 2016	11,349,765
Impairment	337,500
Classified as held for sale	(11,687,265)
At 31 March 2017	-
Net book value	
At 31 March 2017	-
At 31 March 2016	3,200,000

Goodwill acquired through acquisition has been allocated to individual cash generating units ('CGUs') for impairment testing. These are independent income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The carrying value of goodwill is as follows:

	2017 **£**	2016 £
Property information services	**2,000,000**	2,000,000
Packaging solutions	**862,500**	1,200,000
	2,862,500	3,200,000

Cumulative goodwill written off against reserves is £11,687,265 (2016: £11,349,765).

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

Since 31 March 2017 the Property Information Services division has been sold at a price which results in a profit over the book value of the goodwill and therefore no impairment of goodwill is necessary.

Following the decision that the Packaging Solution division will be distributed to the shareholders of Security Research Group Plc as a distribution in specie, the directors have considered the fair value of the goodwill of the Packaging Solution division in comparison to the fair value of the net assets of the division at 31 March 2017 and concluded that there were indications of an impairment and have therefore impaired the goodwill down to £862,500 which they consider to be a reasonable estimate of the fair value of the goodwill.

The directors have valued the goodwill by considering the net realisable value of the Packaging Solutions division based on the estimated fair value less costs of disposal. To do this they have applied a multiplier of 5 against the net profit after tax for the year to 31 March 2017 together with the net assets of the division at that date. The profit multiplier was considered to be a reasonable basis after consideration of the current market conditions and consulting corporate finance agents. This resulted in a net realisable value lower that the carrying value and as such impairment has been recognised. The impairment of £337,500 has been included as an exceptional administrative expense (see note 3).

14. other intangible assets

Group	Development costs £	Web design costs £	Total £
Cost			
At 1 April 2015	1,383,923	364,521	1,748,444
Additions	100,000	77,051	177,051
Disposals	-	(102,931)	(102,931)
Derecognition on disposal of a subsidiary	(1,483,923)	-	(1,483,923)
At 31 March 2016	-	338,641	338,641
Additions	-	85,897	85,897
Disposals	-	(110,851)	(110,851)
Classified as held for sale	-	(313,687)	(313,687)
At 31 March 2017	-	-	-
Amortisation			
At 1 April 2015	1,043,709	266,764	1,310,473
Charge for year	114,654	78,850	193,504
Disposals	-	(102,931)	(102,931)
Eliminated on disposal of a subsidiary	(1,158,363)	-	(1,158,363)
At 31 March 2016	-	242,683	242,683
Charge for year	-	78,656	78,656
Disposals	-	(110,851)	(110,851)
Classified as held for sale	-	(210,488)	(210,488)
At 31 March 2017	-	-	-
Net book value			
At 31 March 2017	-	-	-
At 31 March 2016	-	95,958	95,958

The other intangible assets classified as held for sale of £103,199 are in respect of web design costs for the property information services division. Other intangible assets are amortised on a straight line basis at 33.3% per annum. All other intangible assets are internally generated. In the consolidated income statement the amortisation charge is included within administrative expenses.

15. property, plant and equipment

Group	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2015	1,103,399	2,250,766	257,729	3,611,894
Additions	-	39,027	21,171	60,198
Disposals	-	(34,166)	(72,291)	(106,457)
Derecognition on disposal of a subsidiary	(1,016,675)	(1,814,211)	-	(2,830,886)
At 31 March 2016	86,724	441,416	206,609	734,749
Additions	-	11,422	-	11,422
Disposals	(75,724)	-	(49,950)	(125,674)
Classified as held for sale	(11,000)	(442,329)	(156,659)	(609,988)
At 31 March 2017	**-**	**10,509**	**-**	**10,509**
Depreciation				
At 1 April 2015	1,080,176	2,182,735	89,033	3,351,944
Charge for year	4,039	26,867	61,377	92,283
Disposals	-	(34,166)	(47,996)	(82,162)
Eliminated on disposal of a subsidiary	(1,016,675)	(1,778,611)	-	(2,795,286)
At 31 March 2016	67,540	396,825	102,414	566,779
Charge for year	1,307	21,694	43,979	66,980
Disposals	(57,848)	-	(37,279)	(95,127)
Classified as held for sale	(10,999)	(411,266)	(109,114)	(531,379)
At 31 March 2017	**-**	**7,253**	**-**	**7,253**
Net book value				
At 31 March 2017	**-**	**3,256**	**-**	**3,256**
At 31 March 2016	19,184	44,591	104,195	167,970

15. property, plant and equipment (continued)

Company	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2015	59,052	39,541	-	98,593
Additions	-	3,427	15,000	18,427
Disposals		(34,166)	(15,000)	(49,166)
At 31 March 2016	59,052	8,802	-	67,854
Additions	-	1,707	-	1,707
Disposals	(59,052)	-	-	(59,052)
At 31 March 2017	**-**	**10,509**	**-**	**10,509**
Depreciation				
At 1 April 2015	35,830	38,792	-	74,622
Charge for year	4,039	1,066	-	5,105
Disposals	-	(34,166)	-	(34,166)
At 31 March 2016	39,869	5,692	-	45,561
Charge for year	1,307	1,561	-	2,868
Disposals	(41,176)	-	-	(41,176)
At 31 March 2017	**-**	**7,253**	**-**	**7,253**
Net book value				
At 31 March 2017	**-**	**3,256**	**-**	**3,256**
At 31 March 2016	19,183	3,110	-	22,293

16. investments in subsidiaries

Company	£
Cost	
At 1 April 2015	16,499,087
Disposals	(1,569,952)
At 31 March 2016	14,929,135
Classified as held for sale	(14,929,135)
At 31 March 2017	**-**
Provision for impairment in value	
At 1 April 2015	9,849,765
Disposals	(137,540)
At 31 March 2016	9,712,225
Classified as held for sale	(9,712,225)
At 31 March 2017	**-**
Net book value	
At 31 March 2017	**-**
At 31 March 2016	5,216,910

16. investments in subsidiaries (continued)

subsidiaries

	Number of shares	Classified as held for sale 2017 £	2016 £
Rochdale Development Company Limited	357,500	**1,442,816**	1,442,816
PSG Connect Limited	180	**3,774,094**	3,774,094
		5,216,910	5,216,910

17. subsidiary undertakings
The Company holds 100% of the share capital and voting rights of the following companies:

Name of subsidiary held directly	Nominal value of issued ordinary share capital £	Date acquired	Principal activity	Country of incorporation
Rochdale Development Company Limited	357,500	15 April 2004	Holding company	England
PSG Connect Limited	180	25 June 2004	Property information services	England
SR (Kensington) Limited	2	31 January 2003	Non-trading	England
PSG Energy Limited	1	6 September 2007	Energy surveys	England
Chalenor Legal Services Limited	100	19 October 2009	Non-trading	England

The registered offices of the above companies are as follows;

Rochdale Development Company Limited	9 Sutton Fold, Sutton Fold Industrial Park, St Helens, Merseyside, WA9 3GL
PSG Connect Limited	6 Great Cliffe Court Great Cliffe Road, Dodworth, Barnsley, S75 3SP
SR (Kensington) Limited	Vicarage House, 58-60 Kensington Church Street, London, W8 4DB
PSG Energy Limited	6 Great Cliffe Court Great Cliffe Road, Dodworth, Barnsley, S75 3SP
Chalenor Legal Services Limited	6 Great Cliffe Court Great Cliffe Road, Dodworth, Barnsley, S75 3SP

Held indirectly	Date acquired	Principal activity	Country of incorporation
Moore & Buckle (Flexible Packaging) Limited	15 April 2004	Flexible packaging	England
PSG Client Services Limited	1 February 2006	Property information services	England
PSG Financial Services Limited	23 August 2005	Insurance services	England

Moore & Buckle (Flexible Packaging) Limited is a wholly owned subsidiary of Rochdale Development Company Limited. PSG Client Services Limited and PSG Financial Services Limited are wholly owned subsidiaries of PSG Connect Limited.
During the year PSG Solutions Ltd was dissolved in the year as it had ceased to trade.

18. inventories

Group	**2017 £**	2016 £
Raw materials and consumables	-	423,549
Work in progress	-	57,208
Finished goods and goods for resale	-	96,689
	-	577,446

The cost of inventories recognised as an expense during the year was £507,245 (2016: £555,553).

The amount of inventories written down to fair value, less costs to sell, recognised as an expense during the year was £Nil (2016: £Nil).

19. trade and other receivables

Group	**2017** £	2016 £
Trade receivables:		
Current unimpaired	-	1,458,083
Overdue unimpaired	-	245,650
Less: allowance for doubtful debts	-	(35,550)
	-	210,100
Net trade receivables	-	1,668,183
Prepayments and accrued income	**11,963**	664,264
Other receivables	-	1,528
	11,963	2,333,975

The above debtors fall due within one year.

Current unimpaired trade receivables represent amounts due from customers that are not overdue in accordance with specific credit terms agreed with those customers.

The age profile of trade receivables that are past due is as follows:

	2017 £	2016 £
Up to 60 days	-	129,560
Between 60 and 90 days	-	59,550
Between 90 and 120 days	-	14,230
Over 120 days	-	6,760
	-	210,100

The allowance for doubtful debts is based upon past default experience. Debts with customers in liquidation or receivership are fully provided against. The movement in the provision during the year was as follows:

	2017 £	2016 £
Balance at 1 April	**35,550**	53,965
Net amounts written off in year	**(1,454)**	(435)
Eliminated on disposal of a subsidiary	-	(23,637)
Income statement charged in year	**(8,358)**	5,657
Classified as held for sale	**(25,738)**	
Balance at 31 March	-	35,550

Company	**2017** £	2016 £
Prepayments and accrued income	**11,963**	514,523
	11,963	514,523

The above debtors fall due within one year.

20. deferred tax asset

Group	**2017** £	2016 £
Movement		
At 1 April	-	172,162
Credit/(expense) in year	-	10,118
Written off re disposal of specialist electronics division	-	(182,280)
At 31 March	-	-
Credit/(expense) in year		
Capital allowances	-	10,118
Other timing differences	-	-
	-	10,118

The Group holds losses for capital gains purposes amounting at 31 March 2017 to £2,701,303 (2016: £2,716,177). No deferred tax asset is recognised in respect of these capital losses.

21. trade and other payables

Group	**2017** £	2016 £
Current		
Trade payables	**1,015**	689,444
Other payables	-	41,658
Other taxes and social security	**22,506**	213,375
Accruals and deferred income	**40,401**	568,980
	63,922	1,513,457

Company	**2017** £	2016 £
Current		
Trade payables	**1,015**	515
Amounts owed to group undertakings	**385,500**	345,500
Other taxes and social security	**22,506**	26,684
Accruals and deferred income	**40,401**	39,884
	449,422	412,583

22. share capital and reserves

	2017		2016	
	Number	**£**	Number	£
Authorised				
Ordinary shares of 20p each	**35,000,000**	**7,000,000**	35,000,000	7,000,000
Allotted and called up				
Fully paid ordinary shares of 20p each	**19,809,060**	**3,961,812**	19,809,060	3,961,812

The company has one class of ordinary shares which carry no rights to fixed income.

A description of the nature and purpose of each reserve is set out below:

share premium account

The share premium account amounts to £604,765. This has arisen in previous years due to the issue of 350,000 shares at a premium of 1.5p per share, 1,580,952 shares at a premium of 30p per share, 138,888 shares at a premium of 52p per share, 319,048 shares at a premium of 5p per share and 161,112 shares at a premium of 23p per share.

capital redemption reserve

The capital redemption reserve of £1,984,836 has arisen due to 9,826,756 shares of 20p each having been bought back and cancelled and 97,424 shares of 20p each having been cancelled under section 662 of the Companies Act 2006. The creation of the capital redemption reserve preserves the capital of the Group and Company.

23. share options

A reconciliation of share option movements over the year to 31 March 2017 is shown below.

	2017 Number of shares	2016 Number of shares
Outstanding at 1 April	-	460,160
Lapsed	-	(139,524)
	-	320,636
Modification increase	-	159,524
Exercised	-	(480,160)
Outstanding at 31 March	-	-
Exercisable at 31 March	-	-

The weighted average price of the options lapsed during the year to 31 March 2016 was 54.7p.

[redacted]

24. financial instruments (continued)

financial risk management

The principal financial risks to which the Group is exposed relate to liquidity and credit. The policies and strategies for managing these risks are summarised as follows:

(a) liquidity risk

The Group actively maintains sufficient funds for operations.

(b) credit risk

Credit risk refers to the risk that a counterparty will default on contractual obligations resulting in a financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating financial risk from defaults.

The Group's principal financial assets are bank balances, cash and trade receivables. The Group has no significant concentration of credit risk with exposure spread over a large number of customers. Credit risk is managed by monitoring the aggregate amount and duration of exposure to any one customer depending upon their credit rating. The amounts presented in the statement of financial position are net of allowances for doubtful debts, estimated by the Group's management, based on prior experience and their assessment of the current economic environment. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies. The directors consider that the maximum exposure of the Group to credit risk to be the current assets of the Group excluding inventories.

At 31 March 2017 the Group had financial assets as follows:

	2017	2016
	£	£
Cash and cash equivalents	**5,072,306**	5,698,652
Cash and cash equivalents included in a disposal group held for sale	**2,258,279**	-
	7,330,585	5,698,652

The rate of interest receivable on financial assets is variable.

fair values of financial assets

The fair value is an amount at which a financial instrument could be exchanged in an arms length transaction between informed and willing parties, other than a forced or liquidation sale and excludes accrued interest.

The fair value of cash deposits approximates to the carrying amount because of the short maturity of these instruments.

25. financial commitments

operating lease commitments

The Group leases various properties and other items under non-cancellable operating lease agreements. The total future minimum lease payments under non-cancellable operating leases are as follows:

	2017		2016	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	**160,450**	**1,741**	161,582	7,309
In the second to fifth year	**259,521**	**-**	409,771	8,356
After five years	**-**		-	-
	419,971	**1,741**	571,353	15,665

The main leases are in respect of the leasing of land and buildings from which the Group's operations are carried out. One lease has a rent review every 5 years and the next review is due on 1 June 2019. Otherwise there are no renewal or purchase options and no escalation clauses or restrictions apply.

capital commitments

Commitments contracted for but not provided in the financial statements amounted to £Nil (2016: £3,480).

26. related party transactions

The remuneration of the directors and other key management personnel during the year was as follows:

	2017	2016
	£	£
Remuneration (including benefits in kind)	**462,204**	367,896
Share based payments	**-**	91,040
Pension contributions	**5,750**	5,517
Re-location expenses	**-**	12,000
	467,954	476,453

Directors of the Parent Company and certain subsidiary companies within the Group are considered to be key management personnel.