

Videcon Holdings Limited

Registered number: 09463516

Director's report and consolidated financial statements

For the year ended 31 August 2018

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VIDECON HOLDINGS LIMITED

COMPANY INFORMATION

Director	A Croston
Company secretary	M J Rushall
Registered number	09463516
Registered office	Unit 1, Concept Business Park Smithies Lane Heckmondwike West Yorkshire WF16 0PN
Independent auditors	Mazars LLP Chartered Accountants & Statutory Auditor 5th Floor 3 Wellington Place Leeds LS1 4AP

VIDECON HOLDINGS LIMITED

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VIDECON HOLDINGS LIMITED

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 AUGUST 2018

Introduction

The directors present their Group Strategic Report for the year ended 31 August 2018.

Business review

The results for the year ended 31 August 2018 are set out in the attached financial statements.

Although there was a slight increase in turnover the gross margin percentage was negatively impacted by the continued weakness of the Pound and changes in product mix.

The Group continues to diversify its product range which enables the pursuit of additional revenue streams. In addition, the Group has made investments post year end which will facilitate the continued expansion of its service and customer base. The Group has kept a tight control on overheads. Excluding the exceptional charge for the EBT settlement, overall profitability remained relatively consistent.

The Group is pleased to announce that it has now agreed a settlement with HMRC with regards to the EBT. The financial statements include full provision for all costs arising from the EBT settlement. The company anticipated these outflows and has adequate available cash resources available to meet the obligations as they become due.

Strict credit control procedures have ensured bad debts are minimised. We will continue to keep tight control on all operational and other costs.

Trading conditions in our industry continue to be competitive. We will continue to provide a first class service to our customers at competitive prices. This approach ensures that the Group is ideally placed to take full advantage of any increase in demand.

We will continue to monitor the performance of the Group against forecasts and industry performance indicators, on a regular basis..

VIDECON HOLDINGS LIMITED

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018

Principal risks and uncertainties**Brexit risk**

The company imports a significant portion of the stock products and has therefore taken a number of measures to manage the risks around Brexit. In addition to the work ongoing to manage the exchange risk (forward contracts and natural hedges), the company has identified key suppliers that could be impacted and has increased its stock holdings, where necessary. The company has always imported the majority of its stock and therefore have the necessary in-house skills to proactively deal with any supply chain disruptions that may occur due to Brexit which will ensure that the company continues to trade successfully.

Operational risk

The Group has solid reporting systems and produces timely and accurate management information which is regularly reviewed by the management team.

Price risk

The Group is exposed to downward pressure on margins resulting from current market conditions. This risk is mitigated by improving efficiencies.

Credit risk

The Group's principal financial assets are bank balances, stock and trade debtors that represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk is primarily attributable to its trade debtors. The risk is managed by maintaining a strict credit policy and effective credit rating of current and prospective customers.

The amounts presented in the balance sheet are net of allowances for doubtful debts estimated by Group management based on prior experience and their assessment of the current economic environment.

The Group has no significant concentration of credit risk with exposure spread over a large number of customers.

Trade creditors are managed by ensuring sufficient funds are available to meet amounts due.

Liquidity risk

The Group's policy has been to ensure continuity of funding through maintaining high cash balances within the company. The Group has sufficient banking facilities and funds in place to meet current and future working capital requirements. Failure of suppliers continues to be a risk and the negative impact of supplier failures is mitigated through a spread of suppliers.

Financial key performance indicators

The directors consider the financial KPI's of the business to be:

- Turnover;
- Gross margin;
- Operational costs;
- Debtor levels; and
- Stock levels.

These are monitored on a monthly basis and resultant actions are taken as and when necessary.

VIDECON HOLDINGS LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Other key performance indicators

In addition non-financial KPI's are:

- High standard of customer service;
- Availability of a strong management team;
- Health & safety compliance; and
- Environmental issues.

This report was approved by the board on 31.05.19 and signed on its behalf.



A Croston
Director

VIDECON HOLDINGS LIMITED

**DIRECTOR'S REPORT
FOR THE YEAR ENDED 31 AUGUST 2018**

The director presents his report and the financial statements for the year ended 31 August 2018.

Director's responsibilities statement

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

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

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

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

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

Principal activity

The principal activity of the Group is that of a distributor of CCTV products and services.

Results and dividends

The loss for the year, after taxation, amounted to £368,489 (2017 - profit £76,617).

Going concern

The director has a reasonable expectation that the Company and Group has adequate resources to continue in operational existence for the foreseeable future. Thus he continues to adopt the going concern basis for accounting in preparing the annual financial statements.

Director

The director who served during the year was:

A Croston



VIDECON HOLDINGS LIMITED

**DIRECTOR'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 AUGUST 2018**

Disclosure of information to auditors

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

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

Post balance sheet events

The company acquired the entire share capital of Custom Advance Systems Limited on 12 October 2018 for an amount of £900k.

The company underwent a capital restructure post year end resulting in the share premium account of £6,963,822 being converted into distributable reserves.

Auditors

The auditors, Mazars LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **31.05.19** and signed on its behalf.



A Croston
Director

VIDECON HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDECON HOLDINGS LIMITED

Opinion

We have audited the financial statements of Videcon Holdings Limited (the 'Company') for the year ended 31 August 2018 which comprise the Group Statement of Comprehensive Income, the Group and Company Statement of Financial Positions, the Group and Company Statement of Changes in Equity, the Group Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 Company's affairs as at 31 August 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of uncertainties due to Britain exiting the European Union on our audit

The Director's view on the impact of Brexit is disclosed on page 2.

The terms on which the United Kingdom may withdraw from the European Union are not clear and it is therefore not currently possible to evaluate all the potential implications to the Group's and Company's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Group and Company as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Group's and Company's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Company and this is particularly the case in relation to Brexit.

VIDECON HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDECON HOLDINGS LIMITED

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

VIDECON HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF VIDECON HOLDINGS LIMITED

Responsibilities of Directors

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

In preparing the financial statements, the directors are responsible for assessing the 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 intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

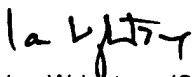
Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit 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.



Ian Wrightson (Senior statutory auditor)

for and on behalf of

Ian Wrightson

Mazars LLP
Chartered Accountants and Statutory Auditor
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date: 31.05.19

VIDECON HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 AUGUST 2018**

	Note	2018 £	2017 £
Turnover	4	14,933,398	14,800,628
Cost of sales		(9,885,147)	(9,309,438)
Gross profit		<u>5,048,251</u>	<u>5,491,190</u>
Distribution costs		(270,756)	(397,060)
Administrative expenses		(3,857,501)	(3,826,709)
Exceptional items	12	(958,690)	(638,521)
Fair value movements		<u>35,325</u>	<u>(25,056)</u>
Operating (loss)/profit	5	(3,371)	603,844
Interest payable and expenses	9	(70,021)	(196,898)
(Loss)/profit before taxation		<u>(73,392)</u>	<u>406,946</u>
Tax on (loss)/profit	10	(295,097)	(330,329)
(Loss)/profit for the financial year		<u><u>(368,489)</u></u>	<u><u>76,617</u></u>

There was no other comprehensive income for 2018 (2017:£NIL).

The notes on pages 15 to 36 form part of these financial statements.

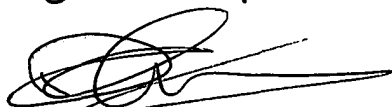
VIDECON HOLDINGS LIMITED
REGISTERED NUMBER: 09463516

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	13	8,432,830	8,941,342
Tangible assets	14	255,634	321,132
		<u>8,688,464</u>	<u>9,262,474</u>
Current assets			
Stocks	16	2,560,309	2,479,283
Debtors: amounts falling due within one year	17	4,382,159	4,998,741
Cash at bank and in hand	18	3,385,283	2,001,782
		<u>10,327,751</u>	<u>9,479,806</u>
Creditors: amounts falling due within one year	19	(11,501,524)	(10,619,417)
Net current liabilities		<u>(1,173,773)</u>	<u>(1,139,611)</u>
Total assets less current liabilities		<u>7,514,691</u>	<u>8,122,863</u>
Creditors: amounts falling due after more than one year	20	(1,295,195)	(1,060,000)
Provisions for liabilities			
Deferred taxation	23	(18,216)	(14,146)
		<u>(18,216)</u>	<u>(14,146)</u>
Net assets		<u><u>6,201,280</u></u>	<u><u>7,048,717</u></u>
Capital and reserves			
Called up share capital	24	24,648	24,648
Share premium account	25	6,963,822	6,963,822
Profit and loss account	25	(787,190)	60,247
		<u>6,201,280</u>	<u>7,048,717</u>

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

31.05.19



A Croston
Director

The notes on pages 15 to 36 form part of these financial statements.

VIDECON HOLDINGS LIMITED
REGISTERED NUMBER: 09463516

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	15	14,472,726	14,472,726
		<u>14,472,726</u>	<u>14,472,726</u>
Current assets			
Cash at bank and in hand	18	1,133,485	1,142,713
		<u>1,133,485</u>	<u>1,142,713</u>
Creditors: amounts falling due within one year	19	(6,219,999)	(6,413,148)
Net current liabilities		<u>(5,086,514)</u>	<u>(5,270,435)</u>
Total assets less current liabilities		<u>9,386,212</u>	<u>9,202,291</u>
Creditors: amounts falling due after more than one year	20	(2,360,721)	(2,135,835)
Net assets		<u><u>7,025,491</u></u>	<u><u>7,066,456</u></u>
Capital and reserves			
Called up share capital	24	24,648	24,648
Share premium account	25	6,963,822	6,963,822
Profit and loss account	25	37,021	77,986
		<u>7,025,491</u>	<u>7,066,456</u>

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


A. Groston
 Director

31.05.19

The notes on pages 15 to 36 form part of these financial statements.

VIDECON HOLDINGS LIMITED

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

	Called up share capital £	Share premium account £	Profit and loss account £	Total equity £
At 1 September 2016	24,648	6,963,822	370,538	7,359,008
Profit for the year	-	-	76,617	76,617
Dividends: Equity capital	-	-	(386,908)	(386,908)
At 1 September 2017	24,648	6,963,822	60,247	7,048,717
Loss for the year	-	-	(368,489)	(368,489)
Dividends: Equity capital	-	-	(478,948)	(478,948)
At 31 August 2018	24,648	6,963,822	(787,190)	6,201,280

The notes on pages 15 to 36 form part of these financial statements.

VIDECON HOLDINGS LIMITED

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

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 September 2016	24,648	6,963,822	(163,834)	6,824,636
Profit for the year	-	-	628,728	628,728
Dividends: Equity capital	-	-	(386,908)	(386,908)
At 1 September 2017	24,648	6,963,822	77,986	7,066,456
Profit for the year	-	-	437,983	437,983
Dividends: Equity capital	-	-	(478,948)	(478,948)
At 31 August 2018	24,648	6,963,822	37,021	7,025,491

The notes on pages 15 to 36 form part of these financial statements.

VIDECON HOLDINGS LIMITED

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 AUGUST 2018**

	2018 £	2017 £
Cash flows from operating activities		
(Loss)/profit for the financial year	(368,489)	76,617
Adjustments for:		
Amortisation of intangible assets	508,512	508,512
Depreciation of tangible assets	110,661	101,086
Interest paid	206,513	93,753
Interest received	(136,492)	-
Taxation charge	295,097	330,329
(Increase)/decrease in stocks	(81,026)	91,336
Decrease/(increase) in debtors	651,906	(727,289)
Increase in creditors	581,279	324,545
Net fair value (gains)/losses recognised in profit	(35,325)	25,056
Corporation tax (paid)	(374,221)	(87,994)
Net cash generated from operating activities	<u>1,358,415</u>	<u>735,951</u>
Cash flows from investing activities		
Purchase of tangible fixed assets	(45,162)	(41,729)
Net cash from investing activities	<u>(45,162)</u>	<u>(41,729)</u>
Cash flows from financing activities		
Repayment of loans	(720,000)	(783,114)
Dividends paid	(478,948)	(386,908)
Interest paid	(206,513)	(160,746)
Net cash used in financing activities	<u>(1,405,461)</u>	<u>(1,330,768)</u>
Net (decrease) in cash and cash equivalents	<u>(92,208)</u>	<u>(636,546)</u>
Cash and cash equivalents at beginning of year	1,293,424	1,929,970
Cash and cash equivalents at the end of year	<u>1,201,216</u>	<u>1,293,424</u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,385,283	2,001,782
Bank overdraft	(2,184,067)	(708,358)
	<u>1,201,216</u>	<u>1,293,424</u>

The notes on pages 15 to 36 form part of these financial statements.

VIDECON HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 AUGUST 2018

1. General information

Videcon Holdings Limited ("the Company") is a private company, limited by share capital, incorporated and registered in England and Wales. The address of its registered office and principal place of business is Unit 1, Concept Business Park, Smithies Lane, Heckmondwike, West Yorkshire, WF16 0PN.

The Company is a parent undertaking and therefore these consolidated financial statements present the financial information of the Company and its subsidiary undertaking (together referred to as "the Group").

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates, being Pound Sterling, and as such, the Group financial statements have been prepared and presented in this currency. The primary economic environment in which the Company operates is governed by Pounds Sterling, and as such the Company's financial statements have also been prepared and presented in this currency.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

In preparing these financial statements, the Company has taken advantage of the following disclosure exemptions, as permitted by FRS 102 paragraph 1.12;

(i) The requirements of Section 33 *Related Party Disclosures* paragraph 33.7 relating to the disclosure of total key management personnel compensation;

(ii) The requirements of Section 7 *Statement of Cash Flows* and Section 3 *Financial Statement Presentation*; and

(iii) The requirements of Section 11 *Basic Financial Instruments* paragraphs 11.39 to 11.48A and Section 12 *Other Financial Instrument Issues* paragraphs 12.26 to 12.29 relating to the disclosure of financial instruments.

The Company has also taken advantage of section 408 of the Companies Act 2006 and has chosen not present its own statement of comprehensive income in these financial statements.

The Group is not permitted to take advantage of any of the disclosure exemptions listed above in preparing the consolidated financial statements.

2.2 Basis of consolidation

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. Accounting policies (continued)

2.3 Going concern

The directors have a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis for accounting in preparing the annual financial statements.

2.4 Revenue

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

Sale of goods

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

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

2.5 Operating leases: the Group as lessee

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

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

2.6 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount.

2.7 Borrowing costs

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. Accounting policies (continued)

2.8 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.9 Current and deferred taxation

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

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

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

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

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Exceptional items

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. Accounting policies (continued)

2.11 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive over its useful economic life, being 20 years.

The estimated useful lives range as follows:

Goodwill	-	20	years
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2.12 Research and development

Research and development expenditure is written off in the period in which it is incurred.

2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- straight line over the life of the lease
Plant & machinery	- 25% to 33.3% straight line
Motor vehicles	- 25% to 33.3% straight line
Fixtures, fittings & equipment	- 25% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. Accounting policies (continued)

2.15 Stocks

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

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

2.16 Debtors

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

2.17 Cash and cash equivalents

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

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

2.18 Creditors

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

2.19 Provisions for liabilities

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

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

2. Accounting policies (continued)

2.20 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

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

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

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

Forward foreign exchange contracts are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in Consolidated Statement of Comprehensive Income in finance costs or income as appropriate. The Group does not currently apply hedge accounting for foreign exchange derivatives.

2.21 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

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

In applying the Group's accounting policies, the director is required to make judgements, estimates and assumptions in determining the carrying amounts of assets and liabilities. The director's judgements, estimates and assumptions are based on the best and most reliable evidence available at the time when the decisions are made, and are based on historical experience and other factors that are considered to be applicable. Due to the inherent subjectivity involved in making such judgements, estimates and assumptions, the actual results and outcomes may differ.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods, if the revision affects both current and future periods.

Critical judgements in applying the accounting policies

The critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are discussed below:

(i) Assessing indicators of impairment

In assessing whether there have been any indicators of impairment associated with intangible and tangible fixed assets, the directors have considered both external and internal sources of information such as market values, changes in technological, economic and legal environments, evidence of obsolescence or physical damage of assets and declines in economic performance.

(ii) Warranty provision

Provision is made for predicted future warranty costs. The estimate is based on the historical return rate of products sold during the year adjusted for any exceptional returns, anomalies, and the ageing profile on which the products were initially sold.

(iii) Stock provision

Provision is made for stock which is slow moving or not usable. The estimate is based on approximations of the length of time it would take to sell the year end stock holding by reference to sale volumes in the financial year. Provision is also made for returned stock items which have not yet been fully inspected and reprocessed.

(iv) Bad debt provision

Provision is made for any overdue invoices that are not insured where the directors consider there to be a significant risk of loss.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Determining residual values and useful economic lives of leasehold improvements, plant and equipment

The Group depreciates tangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires estimates and assumptions to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product life cycles and maintenance programmes.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

3. Judgments in applying accounting policies (continued)

Judgement is applied by management when determining the residual values for plant, machinery and equipment. When determining the residual value management aim to assess the amount that the Group would currently obtain for the disposal of the asset, if it were already of the condition expected at the end of its useful economic life. Where possible this is done with reference to external market prices.

(ii) Determining useful economic lives of intangible assets

The Group amortise intangible assets over their estimated useful lives. The estimation of the useful lives of assets is based on management's assessment of the period over which the asset is expected to generate future economic benefit for the Group. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, consumer trends and other external factors such as brand reputation and economic conditions.

(iii) Impairment of goodwill

The Group considers whether there has been any indicators of impairment of intangible assets and goodwill at each reporting date. Where there has been an indicator of impairment, the estimate of the recoverable amount of the intangible asset or cash-generating unit to which the intangible asset or goodwill relates is determined based on a value in use basis. This requires the estimation of the future cash flows associated with the cash-generating unit and the selection of an appropriate discount rate to calculate the net present value of these cash flows. Refer to note 13 for further details regarding the impairment of goodwill.

4. Turnover

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	13,930,920	13,455,557
Rest of Europe	939,960	1,314,979
Rest of the world	62,518	30,092
	<u>14,933,398</u>	<u>14,800,628</u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

5. Operating (loss)/profit

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

	2018	2017
	£	£
Research & development	4,026	5,607
Depreciation of tangible fixed assets	110,661	101,087
Amortisation of goodwill	508,512	508,512
Fees payable to the Group's auditor and its associates for the audit of the Company's annual financial statements	16,000	16,000
Exchange differences	252,847	825,204
Operating lease rental costs	321,232	312,558
Defined contribution pension cost	59,783	30,633
	<u> </u>	<u> </u>

6. Auditors' remuneration

	2018	2017
	£	£
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	16,000	16,000
	<u> </u>	<u> </u>
Fees payable to the Group's auditor in respect of:		
All other services	13,250	13,250
	<u> </u>	<u> </u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

7. Employees

Staff costs, including director's remuneration, were as follows:

	Group 2018 £	Group 2017 £
Wages and salaries	1,696,692	1,703,218
Social security costs	191,730	195,879
Cost of defined contribution scheme	59,783	30,633
	<u>1,948,205</u>	<u>1,929,730</u>

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

	2018 No.	2017 No.
Management	4	5
Other staff	53	61
	<u>57</u>	<u>66</u>

8. Director's remuneration

During the year retirement benefits were accruing to 1 director (2017 - 1) in respect of a defined contribution pension scheme.

9. Interest payable and similar expenses

	2018 £	2017 £
Bank interest payable	(3,439)	93,388
Other loan interest payable	(5,932)	34,373
Other interest payable	79,392	69,137
	<u>70,021</u>	<u>196,898</u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the period	291,027	308,643
Total current tax	<u>291,027</u>	<u>308,643</u>
Deferred tax		
Origination and reversal of timing differences	4,070	21,686
Taxation on profit on ordinary activities	<u>295,097</u>	<u>330,329</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19% (2017 - 19.58%). The differences are explained below:

	2018 £	2017 £
(Loss)/profit on ordinary activities before tax	<u>(73,392)</u>	<u>406,946</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 19.58%)	(13,944)	79,680
Effects of:		
Non-tax deductible amortisation of goodwill	96,617	99,584
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	194,781	115,292
Short term timing difference leading to an increase in taxation	7,957	-
Other differences leading to an increase / (decrease) in the tax charge	9,686	35,773
Total tax charge for the year	<u>295,097</u>	<u>330,329</u>

There were no factors that may affect future tax charges.

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

11. Dividends

	2018 £	2017 £
Dividends paid on equity shares	478,948	386,908

12. Exceptional items

	2018 £	2017 £
Exceptional items - EBT liability	958,690	638,521
	958,690	638,521

The Group has made historic contributions into Employee Benefit Trusts. The tax treatment of these contributions was previously challenged by HMRC resulting in a Settlement Agreement being agreed between the Group and HMRC. The financial statements have made full provision for all costs arising from the Settlement Agreement.

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

13. Intangible assets**Group and Company**

	Goodwill £
Cost	
At 1 September 2017	10,170,246
At 31 August 2018	<u>10,170,246</u>
Amortisation	
At 1 September 2017	1,228,904
Charge for the year	<u>508,512</u>
At 31 August 2018	<u>1,737,416</u>
Net book value	
At 31 August 2018	<u><u>8,432,830</u></u>
At 31 August 2017	<u><u>8,941,342</u></u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

14. Tangible fixed assets**Group**

	Leasehold improvements £	Plant & machinery £	Motor vehicles £	Fixtures, fittings & equipment £	Total £
Cost or valuation					
At 1 September 2017	528,646	96,641	118,111	241,361	984,759
Additions	6,774	-	-	38,388	45,162
At 31 August 2018	<u>535,420</u>	<u>96,641</u>	<u>118,111</u>	<u>279,749</u>	<u>1,029,921</u>
Depreciation					
At 1 September 2017	311,734	62,442	98,892	190,558	663,626
Charge for the year on owned assets	50,068	22,476	8,636	29,481	110,661
At 31 August 2018	<u>361,802</u>	<u>84,918</u>	<u>107,528</u>	<u>220,039</u>	<u>774,287</u>
Net book value					
At 31 August 2018	<u>173,618</u>	<u>11,723</u>	<u>10,583</u>	<u>59,710</u>	<u>255,634</u>
At 31 August 2017	<u>216,912</u>	<u>34,199</u>	<u>19,219</u>	<u>50,803</u>	<u>321,133</u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

15. Fixed asset investments**Company**

	Investments in subsidiary companies £
Cost or valuation	
At 1 September 2017	14,472,726
At 31 August 2018	<u>14,472,726</u>

Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Videcon Limited	Security systems service activities.	Ordinary	100%

16. Stocks

	Group 2018 £	Group 2017 £
Finished goods and goods for resale	2,560,309	2,479,282
	<u>2,560,309</u>	<u>2,479,282</u>

Stock recognised in cost of sales during the year as an expense was £9,632,301 (2017: £8,484,234).

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

17. Debtors

	Group 2018 £	Group 2017 £
Trade debtors	3,840,420	4,175,634
Other debtors	310,546	487,098
Prepayments and accrued income	231,193	336,009
	<u>4,382,159</u>	<u>4,998,741</u>

18. Cash and cash equivalents

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Cash at bank and in hand	3,385,283	2,001,782	1,133,485	1,142,713
Less: bank overdraft	(2,184,068)	(708,358)	-	-
	<u>1,201,215</u>	<u>1,293,424</u>	<u>1,133,485</u>	<u>1,142,713</u>

At the year end £1,111,408 (2017: £1,111,408) of cash was held in escrow by the bank in order to settle agreed HMRC liabilities (a net payment of £958,690) arising from the EBT settlement as detailed in note 12.

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

19. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2018	2017	2018	2017
	£	£	£	£
Bank overdraft	2,184,068	708,358	-	-
Bank loan and invoice discounting facility	4,209,975	4,908,435	720,000	1,020,000
Other loan	-	250,000	-	-
Trade creditors	2,213,578	1,723,762	-	-
Amounts owed to group undertakings	-	-	5,499,999	5,393,148
Corporation tax	612,605	695,798	-	-
Other taxation and social security	307,221	321,300	-	-
Other creditors	7,072	348,168	-	-
Accruals and deferred income	1,967,005	1,663,598	-	-
	<u>11,501,524</u>	<u>10,619,419</u>	<u>6,219,999</u>	<u>6,413,148</u>

The bank overdraft of £2,184,068 (2017 - £708,358) is secured against the Group's current assets..

Included within 'bank loan and the invoice discounting' is an invoice discounting facility of £2,284,046 (2017: £2,751,691) which is secured against the Group's trade debtors. The remaining balance relates to a term loan facility which is secured by a fixed and floating charge over certain assets of the Group and by personal guarantees given by a director.

Accruals include a provision for warranty and credit notes totalling £1,076,173 (2017: £1,138,940) which are to cover against future costs of servicing and repairs arising from claims against prior sales.

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

	Group	Group	Company	Company
	2018	2017	2018	2017
	£	£	£	£
Bank loan	480,000	900,000	480,000	900,000
Other loan	410,000	160,000	-	-
Amounts owed to group undertakings	-	-	1,880,721	1,235,835
Accruals and deferred income	405,195	-	-	-
	<u>1,295,195</u>	<u>1,060,000</u>	<u>2,360,721</u>	<u>2,135,835</u>

The other loan of £410,000 is secured by a fixed and floating charge over certain assets of the Group and by personal guarantees given by a director.

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

21. Loans

	Group 2018 £	Group 2017 £	Company 2018 £	Company 2017 £
Amounts falling due within one year				
Bank loan and invoice discounting facility	4,209,975	4,908,435	720,000	1,020,000
Other loan	-	250,000	-	-
	<u>4,209,975</u>	<u>5,158,435</u>	<u>720,000</u>	<u>1,020,000</u>
Amounts falling due 1-2 years				
Bank loan	480,000	720,000	480,000	720,000
	<u>480,000</u>	<u>720,000</u>	<u>480,000</u>	<u>720,000</u>
Amounts falling due 2-5 years				
Bank loan	-	180,000	-	180,000
Other loan	410,000	160,000	-	-
	<u>5,099,975</u>	<u>6,218,435</u>	<u>1,200,000</u>	<u>1,920,000</u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

22. Financial instruments

	Group	Group	Company	Company
	2018	2017	2018	2017
	£	£	£	£
Financial assets				
Financial assets measured at fair value through profit or loss	3,385,283	2,001,782	1,133,485	1,142,713
Financial assets that are debt instruments measured at amortised cost	4,150,965	4,662,734	-	-
	<u>7,536,248</u>	<u>6,664,516</u>	<u>1,133,485</u>	<u>1,142,713</u>
Financial liabilities				
Financial liabilities measured at amortised cost	(11,871,121)	(10,318,679)	(8,580,721)	(8,548,983)

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets measured at amortised cost comprise trade and other debtors.

Financial liabilities measured at amortised cost comprise all creditors, excluding taxation and social security costs.

23. Deferred taxation

Group

	2018	2017
	£	£
At beginning of year	(14,146)	(23,080)
Charged to profit or loss	(4,070)	8,934
At end of year	<u>(18,216)</u>	<u>(14,146)</u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

23. Deferred taxation (continued)

The provision for deferred taxation is made up as follows:

	Group 2018 £	Group 2017 £
Accelerated capital allowances	(19,129)	(18,456)
Other item	913	4,310
	<u>(18,216)</u>	<u>(14,146)</u>

24. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
24,643 (2017 - 24,643) Ordinary shares of £1 each	24,643	24,643
1 (2017 - 1) Ordinary A share of £1	1	1
1 (2017 - 1) Ordinary B share of £1	1	1
1 (2017 - 1) Ordinary C share of £1	1	1
1 (2017 - 1) Ordinary D share of £1	1	1
1 (2017 - 1) Other Ordinary share of £1	1	1
	<u>24,648</u>	<u>24,648</u>

The shares rank pari passu in all respects other than distribution of dividends.

25. Reserves**Share premium account**

The share premium represents the amount paid above the par value of the shares.

Profit & loss account

The profit and loss reserves are fully distributable.

26. Pension commitments

The Group operates a defined contribution schemes for its directors and employees. The funds of the schemes are held separately in independently administered funds. The pension costs charged for the year amounted to £59,783 (2017 - £30,633). Contributions totalling £5,372 (2017: £2,261) were payable to the fund at the year end and are included in other creditors.

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

27. Commitments under operating leases

At 31 August 2018 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2018 £	Group 2017 £
Not later than 1 year	279,717	271,360
Later than 1 year and not later than 5 years	1,032,198	961,953
Later than 5 years	2,780,000	3,020,000
	<u>4,091,915</u>	<u>4,253,313</u>

The total value of lease payments recognised as an expense during the period was £321,232 (2017: £312,558).

28. Other financial commitments

The Group's bankers have issued a guarantee for ongoing VAT liabilities of £150,000 (2017 - £150,000) in favour of HM Revenue & Customs with recourse to Videcon Limited. At the balance sheet date all VAT payments are up to date.

29. Related party transactions

During the year, the Group had loan balances with a Director of the Group. The maximum loan balance outstanding during the year was £171,040 (2017: £340,000).

During the year, the Group paid rent and service charges of £240,000 (2017: £240,000) to Spider Orchid Limited in respect of the premises from which they operate. The Group have a director in common with Spider Orchid Limited.

Balances due (from) / to related parties at the year end are shown below.

	2018 £	2017 £
Director loan balances	(116,902)	77,912
	<u>(116,902)</u>	<u>77,912</u>

VIDECON HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2018**

30. Post balance sheet events

On the 12th of October 2018 the Group completed the acquisition of the entire share capital of Custom Advanced Systems Limited.

On the 4th of April 2019 the Group entered into a settlement agreement with HMRC to settle the tax liability owing from historic contributions into Employee Benefit Trusts for the benefit of employees and certain of their dependants. The liability has been fully recognised in the financial statements with further detail provided in note 12.

31. Controlling party

The ultimate controlling party is A C Croston.