Security Research Group plc

Annual Report and Accounts 2016

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Corporate Governance

Financial Statements

Strategic report

The directors present their strategic report for the year ended 31 March 2016.

Strategy and business model

The Group now has two divisions, Property Information Services and Packaging Solutions, having sold its Specialist Electronic division during the 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 tax for the year from continuing operations was £686,690 compared with £667,309 in the previous year whilst revenue increased from £6,419,541 to £6,528,622. Included in the profit is an amount of £Nil compared with £112,894 in the previous year in respect of a legal settlement with local authorities regarding overpayments in prior years by the Property Information Services Division's own Franchise.

In the Property Information Services Division the operating profit was £1,022,090 compared with £928,893 in the previous year whilst revenue increased from £4,888,151 to £5,059,585.

During the year the division continued to enhance its cutting edge technology platform and began to see financial benefits from these enhancements but this was partially offset by a falling number of housing transactions.

In the Packaging Solutions Division the operating profit was £160,188 compared with £374,422 in the previous year whilst revenue decreased from £1,531,227 to £1,469,037.

This division continues to perform profitably in its niche marketplace although at lower levels. Budgets indicate that the profitability will recover in the current year.

The Specialist Electronics Division was sold during the year and had an operating loss of £370,154 compared with a profit of £433,106 in the previous year. In addition there was also a loss on disposal of £373,892.

With the continual enhancement of its technology platform benefiting the Property Information Services Division and the Packaging Solutions Division continuing to maintain its consistent level of performance, the future can be viewed with confidence.

Future developments

The Property Information Services Division will expand its property information search offerings with particular attention being paid to its environmental reports and the Packaging Solutions Division will attempt to expand its customer base.

Principal risks and uncertainties

Group

Revenue and profits are dependent on the ability to recruit and retain key individuals.

Trading concerns are regularly reviewed with particular reference to sales, customer loss and competition.

Property Information Services Division

If the situation in the property market changes it could affect the results of the division, either beneficially or detrimentally.

Packaging Solutions Division

The 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 profit on continuing ordinary activities before taxation in the year was £686,690 compared with a profit of £667,309 in the previous year, with turnover having increased from £6,419,541 to £6,528,622.

The average number of employees in the year reduced from 90 to 71, with employment costs reducing from £3,354,898 to £2,283,391.

The number of housing transactions in the year decreased from 920,000 to approximately 870,000.

Cash and cash equivalents in the Group increased from £4,841,079 at 1 April 2015 to £5,698,652 at 31 March 2016 equivalent to 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 three businesses

It was previously announced that following a review of the businesses, 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 three businesses, with the intention of returning surplus cash to shareholders within three years. In the year under review the loss making specialist electronics business was sold. The board and its advisers are now focussed on securing appropriate terms for the disposal of the property information services business and the smaller packaging solutions business and our commitment to concluding the sale process in the shortest period of time remains paramount.

By order of the Board

John Warwick

Director

22 July 2016

The directors present herewith their annual report and the audited financial statements for the year ended 31 March 2016.

Dividends
The directors do not recommend payment of a dividend.

Research and development
Prior to its sale Audiotel International Limited continued its policy of investment in research and development in order to retain a competitive position in its market.

Directors and their interests
The directors of the Company during the financial year were:

J P Mervis
B C Connor
J A Warwick (appointed 23 December 2015)

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 and planned expansions.

(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.

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.

Directors’ report

The directors have reasonable expectations that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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.

Auditors
A resolution proposing that Milsted Langdon LLP be re-appointed as auditors of the Company will be put to the Annual General Meeting.

By order of the Board

John Warwick

Director

22 July 2016

Independent auditors' report to the members of Security Research Group plc

For the year ended 31 March 2016

We have audited the financial statements of Security Research Group plc for the year ended 31 March 2016 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.

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 2016 and of the Group's loss 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
22 July 2016

Consolidated income statement

For the year ended 31 March 2016

	Note	2016 Continuing Operations £	2016 Discontinued Operations £	2016 Total £	2015 Continuing Operations (as restated) £	2015 Discontinued Operations (as restated) £	2015 Total £
Revenue	2	**6,528,622**	**314,800**	**6,843,422**	6,419,541	3,026,295	9,445,836
Cost of sales		**(3,355,362)**	**(118,000)**	**(3,473,362)**	(3,249,607)	(1,065,901)	(4,315,508)
Gross profit		**3,173,260**	**196,800**	**3,370,060**	3,169,934	1,960,394	5,130,328
Administrative expenses		**(2,513,935)**	**(566,954)**	**(3,080,889)**	(2,633,212)	(1,527,288)	(4,160,500)
Operating profit/(loss) before exceptional items		**659,325**	**(370,154)**	**289,171**	536,722	433,106	969,828
Exceptional administrative (expenses)/credits	3	–	**(373,892)**	**(373,892)**	112,894	–	112,894
Operating (loss)/profit for the year	4	**659,325**	**(744,046)**	**(84,721)**	649,616	433,106	1,082,722
Finance costs	8	–	–	–	(1,086)	–	(1,086)
Finance income	9	**27,365**	**–**	**27,365**	18,779	–	18,779
(Loss)/profit on ordinary activities before taxation		**686,690**	**(744,046)**	**(57,356)**	667,309	433,106	1,100,415
Income tax expense	10	**(98,830)**	**–**	**(98,830)**	(59,025)	(53,637)	(112,662)
(Loss)/profit on ordinary activities after taxation		**587,860**	**(744,046)**	**(156,186)**	608,284	379,469	987,753

Consolidated statement of comprehensive income

For the year ended 31 March 2016

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

The notes on pages 13 to 30 form part of these financial statements.

Statements of changes in equity

For the year ended 31 March 2016

Group	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2014	3,865,780	551,758	1,984,836	3,053,462	9,455,836
Total comprehensive income for the year	–	–	–	987,753	987,753
At 31 March 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**

Company	Share capital £	Share premium £	Capital redemption reserve £	Retained earnings £	Total equity £
At 1 April 2014	3,865,780	551,758	1,984,836	91,845	6,494,219
Total comprehensive income for the year	–	–	–	2,996,122	2,996,122
At 31 March 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**

The notes on pages 13 to 30 form part of these financial statements.

Consolidated statement of financial position

As at 31 March 2016

	Note	2016 £	2016 £	2015 £	2015 £
Non-current assets					
Goodwill	12		**3,200,000**		3,273,142
Other intangible assets	13		**95,958**		437,971
Property, plant and equipment	14		**167,970**		259,950
Deferred tax asset	19		**–**		172,162
			3,463,928		4,143,225
Current assets					
Inventories	17	**577,446**		1,331,095	
Trade and other receivables	18	**2,333,975**		2,044,232	
Current tax receivable		**74,075**		50,471	
Cash and cash equivalents		**5,698,652**		4,841,079	
		8,684,148		8,266,877	
Current liabilities					
Trade and other payables	20	**(1,513,457)**		(1,954,450)	
Current tax payable		**(107,137)**		(12,063)	
		(1,620,594)		(1,966,513)	
Net current assets			**7,063,554**		6,300,364
Net assets			**10,527,482**		10,443,589

Represented by:

	Note	2016 £	2015 £
Capital and reserves attributable to equity holders			
Called up share capital	21	**3,961,812**	3,865,780
Share premium account	21	**604,765**	551,758
Capital redemption reserve	21	**1,984,836**	1,984,836
Retained earnings		**3,976,069**	4,041,215
Total equity		**10,527,482**	10,443,589

Approved and authorised for issue by the board on 22 July 2016 and signed on its behalf by:

Jonathan Mervis
Director

The notes on pages 13 to 30 form part of these financial statements.

Company statement of financial position

As at 31 March 2016

	Note	2016 £	2016 £	2015 £	2015 £
Non-current assets					
Property, plant and equipment	14		**22,293**		23,971
Investments in subsidiaries	15		**5,216,910**		6,649,322
			5,239,203		6,673,293
Current assets					
Trade and other receivables	18	**514,523**		938,638	
Cash and cash equivalents		**4,179,779**		2,298,471	
		4,694,302		3,237,109	
Current liabilities					
Trade and other payables	20	**(412,583)**		(415,498)	
Current tax payable		**(22,082)**		(4,563)	
		(434,665)		(420,061)	
Net current assets			**4,259,637**		2,817,048
Net assets			**9,498,840**		9,490,341

Represented by:

	Note	2016 £	2015 £
Capital and reserves attributable to equity holders			
Called up share capital	21	**3,961,812**	3,865,780
Share premium account	21	**604,765**	551,758
Capital redemption reserve	21	**1,984,836**	1,984,836
Retained earnings		**2,947,427**	3,087,967
Total equity		**9,498,840**	9,490,341

Approved and authorised for issue by the board on 22 July 2016 and signed on its behalf by:

Jonathan Mervis
Director

The notes on pages 13 to 30 form part of these financial statements.

Statements of cash flows

For the year ended 31 March 2016

	Group		Company	
	2016	2015	**2016**	2015
	£	£	**£**	£
Cash flows from operating activities				
(Loss)/profit before taxation	**(57,356)**	1,100,415	**(209,716)**	3,000,685
Adjustments for:				
Depreciation of property, plant and equipment	**92,283**	113,027	**5,105**	5,074
Loss on disposal of subsidiary	**373,892**	–	**452,412**	–
Amortisation of other intangible assets	**193,504**	411,992	**–**	–
Profit on disposal of tangible assets	**(8,986)**	(53,560)	**(8,032)**	–
Interest expense	**–**	1,086	**–**	–
Interest receivable	**(27,365)**	(18,779)	**(18,669)**	(3,089)
Dividends receivable	**–**	–	**(147,000)**	(2,851,152)
Share based payments	**91,040**	–	**91,040**	–
Changes in working capital:				
(Increase)/decrease in inventories	**(9,251)**	195,968	**–**	–
Decrease in receivables	**109,677**	921,767	**24,115**	30,849
(Decrease)/increase in payables	**(314,823)**	(910,237)	**(2,915)**	14,263
Cash generated from operations	**442,615**	1,761,679	**186,340**	196,630
Interest paid	**–**	(1,086)	**–**	–
Income tax paid	**(37,478)**	(217,810)	**(4,345)**	–
Net cash generated from operating activities	**405,137**	1,542,783	**181,995**	196,630
Cash flows from investing activities				
Purchase of property, plant and equipment	**(60,198)**	(97,076)	**(18,427)**	–
Expenditure on other intangible assets	**(177,051)**	(313,487)	**–**	–
Proceeds from the sale of property, plant and equipment	**33,281**	217,492	**23,032**	–
Net proceeds on disposal of subsidiary	**480,000**	–	**480,000**	–
Dividends received	**–**	–	**1,047,000**	1,951,152
Interest received	**27,365**	18,779	**18,669**	3,089
Net cash generated from/(used in) investing activities	**303,397**	(174,292)	**1,550,274**	1,954,241
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	**857,573**	1,368,491	**1,881,308**	2,150,871
Cash and cash equivalents at beginning of period	**4,841,079**	3,472,588	**2,298,471**	147,600
Cash and cash equivalents at end of period	**5,698,652**	4,841,079	**4,179,779**	2,298,471

The notes on pages 13 to 30 form part of these financial statements.

Note to the statements of cash flows
For the year ended 31 March 2016

analysis of net funds

Group	At 1 April 2015 £	Cash flow £	**At 31 March 2016 £**
Cash and cash equivalents	4,841,079	857,573	**5,698,652**
	4,841,079	857,573	**5,698,652**

Company	At 1 April 2015 £	Cash flow £	**At 31 March 2016 £**
Cash and cash equivalents	2,298,471	1,881,308	**4,179,779**
	2,298,471	1,881,308	**4,179,779**

The notes on pages 13 to 30 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 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.

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. The use of this method requires 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.

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) 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.

(b) 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.

1. accounting policies (continued)

(c) 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:

Freehold buildings	2% straight line
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

(d) investments

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

(e) 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.

(f) 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.

(g) leasing

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

(h) 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.

(i) liquid resources

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

(j) 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.

1. accounting policies (continued)

(k) 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.

(l) pensions

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

(m) 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.

(n) financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual 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

	2016 Revenue £	**2016 Internal management charges £**	**2016 External sales £**	2015 Revenue £	2015 Internal management charges £	2015 External sales £
Specialist electronics	**314,800**	**–**	**314,800**	3,026,295	–	3,026,295
Property information services	**5,059,585**	**–**	**5,059,585**	4,888,151	–	4,888,151
Packaging solutions	**1,469,037**	**–**	**1,469,037**	1,531,227	–	1,531,227
Head office	**600,000**	**(600,000)**	**–**	920,163	(920,000)	163
	7,443,422	**(600,000)**	**6,843,422**	10,365,836	(920,000)	9,445,836

	2016 Operating (loss)/profit £	**2016 Net operating assets £**	2015 Operating profit/(loss) £	2015 Net operating assets/(liabilities) £
Specialist electronics	**(370,154)**	**–**	433,106	1,385,756
Property information services	**1,022,090**	**2,417,373**	928,893	2,207,656
Packaging solutions	**160,188**	**1,963,802**	374,422	2,021,050
Head office	**(522,953)**	**447,655**	(766,593)	(11,952)
	289,171	**4,828,830**	969,828	5,602,510
Exceptional items	**(373,892)**	**–**	112,894	–
	(84,721)	**4,828,830**	1,082,722	5,602,510
Interest bearing assets		**5,698,652**		4,841,079
Net assets		**10,527,482**		10,443,589

2. segmental analysis (continued)

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 operating assets analysis

	2016			2015		
	Segmental assets £	**Segmental liabilities £**	**Segmental net operating assets £**	Segmental assets £	Segmental liabilities £	Segmental net operating assets/ (liabilities) £
Specialist electronics	**–**	**–**	**–**	1,742,415	(356,659)	1,385,756
Property information services	**3,762,079**	**(1,344,706)**	**2,417,373**	3,573,738	(1,366,082)	2,207,656
Packaging solutions	**2,150,529**	**(186,727)**	**1,963,802**	2,190,261	(169,211)	2,021,050
Head office	**536,816**	**(89,161)**	**447,655**	62,609	(74,561)	(11,952)
	6,449,424	**(1,620,594)**	**4,828,830**	7,569,023	(1,966,513)	5,602,510

Additions to non-current assets and non-cash expenses

	2016		2015	
	Additions to non-current assets £	**Depreciation and amortisation £**	Additions to non-current assets £	Depreciation and amortisation £
Specialist electronics	**135,600**	**(127,412)**	239,692	(350,306)
Property information services	**98,222**	**(142,607)**	163,128	(153,221)
Packaging solutions	**–**	**(10,663)**	7,743	(16,418)
Head office	**3,427**	**(5,105)**	–	(5,074)
	237,249	**(285,787)**	410,563	(525,019)

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:

	2016 £	2015 £
United Kingdom	**6,600,641**	8,321,168
Asia and Middle East	**130,400**	432,170
Europe	**102,773**	55,411
Other	**9,608**	637,087
	6,843,422	9,445,836

3. exceptional administrative (expenses)/credits

	2016 £	2015 £
Loss on disposal of specialist electronics division (Note 26)	**(373,892)**	–
Credit on legal settlement with local authorities	**–**	112,894
	(373,892)	112,894

The amount of £373,892 is in respect of the loss on disposal of the specialist electronic division.

The amount of £112,894 is in respect of a legal settlement with local authorities regarding overpayments in prior years by the Property Information Services Division's own Franchise.

4. operating (loss)/profit

	2016 £	2015 £
Operating (loss)/profit is stated after charging/(crediting):		
Auditors' remuneration:		
– audit	**51,380**	71,692
– tax services	**2,520**	3,520
Depreciation	**92,283**	113,027
Amortisation of other intangible assets	**193,504**	411,992
Profit on disposal of fixed assets	**(8,986)**	(53,560)
Loss on exchange differences	**–**	7,446
Operating lease rentals:		
– plant and machinery	**5,168**	1,548
– other assets	**194,670**	245,421
Exceptional expenses/(credits) – Note 3	**373,892**	(112,894)
Research and development	**197,000**	472,934

Remuneration for audit services payable to Milsted Langdon LLP amounted to £19,500 (2015: £24,000) and tax compliance services fees amounted to £2,000 (2015: £2,000).

The auditors' remuneration for audit services includes £Nil (2015: £16,412) attributable to the audit of Audiotel International Limited and Security Research Limited; £9,305 (2015: £9,305) attributable to the audit of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited and £22,575 (2015: £21,975) 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 £Nil (2015: £1,000) payable to the auditors of Audiotel International Limited and Security Research Limited and £520 (2015: £520) payable to the auditors of Rochdale Development Company Limited and Moore & Buckle (Flexible Packaging) Limited.

5. staff costs

	2016 £	2015 £
Staff costs are as follows:		
Wages and salaries	**1,941,382**	2,967,999
Share based payments	**91,040**	–
Social security costs	**194,998**	292,271
Pension contributions	**55,971**	94,628
	2,283,391	3,354,898

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

	2016 Number	2015 Number
Administration	**15**	16
Production	**50**	60
Research and development	**4**	9
Sales and marketing	**2**	5
	71	90

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 £55,971 (2015: £94,628).

7. directors' remuneration

	2016	2015
	£	£
Remuneration (including benefits in kind)	**201,804**	448,815
Share based payments	**91,040**	–
Pension contributions	**–**	1,000
Compensation for loss of office	**–**	12,000
	292,844	461,815

In respect of highest paid director:

	2016	2015
	£	£
Remuneration (including benefits in kind and share based payments)	**117,081**	167,416

In the year to 31 March 2016 the fair value costs of the share option scheme amounted to £91,040 (2015: £Nil) all of which was applicable to the directors.

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

	2016	2015
	Number	Number
Accruing benefits under money purchase pension scheme	**–**	1
Accruing benefits under share option scheme	**2**	–

8. finance costs

	2016	2015
	£	£
Interest on late payment of corporation tax	**–**	1,086

9. finance income

	2016	2015
	£	£
Bank interest	**27,365**	18,779

10. income tax expense

	2016	2015
	£	£
UK corporation tax at 20% (2015: 21%)	**113,062**	67,592
Over-provision in prior year	**(4,114)**	(3,571)
Current tax expense	**108,948**	64,021
Deferred tax expense	**(10,118)**	48,641
	98,830	112,662

10. income tax expense (continued)

The tax for the year is higher (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016	2015
	£	£
(Loss)/profit on ordinary activities before taxation	**(57,356)**	1,100,415
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015: 21%)	**(11,471)**	231,087
Effects of:		
Expenses not deductible for tax purposes	**10,793**	10,139
Depreciation (less)/more than capital allowances	**(2,776)**	6,284
Marginal rate relief	**–**	(734)
Research and development relief	**(45,606)**	(151,361)
Losses of specialist electronic division not relieved	**145,698**	–
Over-provision in prior year	**(4,114)**	(3,571)
Other tax adjustments	**6,306**	20,818
	98,830	112,662

The Group has a carried forward loss for capital gains purposes amounting to £2,716,177 (2015: £2,716,177).

11. (loss)/profit of Parent Company

	2016	2015
	£	£
(Loss)/profit on ordinary activities after taxation	**(231,580)**	2,996,122

12. goodwill

Group	**£**
Cost	
At 1 April 2014	14,627,755
Additions	–
At 31 March 2015	14,627,755
Derecognised on disposal of a subsidiary	(77,990)
At 31 March 2016	**14,549,765**
Impairment	
At 1 April 2014	11,354,613
Charge for year	–
At 31 March 2015	11,354,613
Eliminated on disposal of a subsidiary	(4,848)
At 31 March 2016	**11,349,765**
Net book value	
At 31 March 2016	**3,200,000**
At 31 March 2015	3,273,142

12. goodwill (continued)

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:

	2016	2015
	£	£
Specialist electronics	**–**	73,142
Property information services	**2,000,000**	2,000,000
Packaging solutions	**1,200,000**	1,200,000
	3,200,000	3,273,142

Cumulative goodwill written off against reserves is £11,349,765 (2015: £11,354,613).

Goodwill is reviewed annually or when other events or changes in circumstances indicate that the carrying amount may not be fully recoverable. The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond this five year period are extrapolated for a further 5 years using a growth rate of up to 2.25%, which does not exceed the long term average growth for the United Kingdom, as the directors consider the goodwill to have a value for the foreseeable future. The key assumptions in these calculations are as follows:

– The achievement of budgeted operating profit over the next 5 years (2015: 5 years).

– A growth rate of up to 2.25% for the final 5 years (2015: 2.25%).

– The cash flows were discounted using a pre-tax discount rate of 5.0% (2015: 5.0%).

Sensitivity analysis:

The value in use calculations in respect of the property information services division is dependent on the budgeted number of housing market property transactions being achieved. If a substantial change in the level of housing market property transactions was realised, namely a fall of 38% from those budgeted, and all other variables remained stable the carrying value of the goodwill in relation to the property information services division would not be further impaired.

The budgeted operating profit over the next 5 years assumes that the number of housing transactions increase from the present level of 870,000 per annum. Each 100,000 increase in the level of housing transactions should benefit the operating profit by not less than £225,000.

The value in use calculations in respect of the packaging solutions division is dependent upon the budgeted sales being achieved. If a change in the level of sales was realised, namely a fall of 15% from those budgeted and all other variables remained stable the carrying value of the goodwill in relation to the packaging solutions division would not be further impaired.

13. other intangible assets

Group	Development costs £	Web design costs £	Total £
Cost			
At 1 April 2014	1,553,350	383,832	1,937,182
Additions	236,467	77,020	313,487
Disposals	(405,894)	(96,331)	(502,225)
At 31 March 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**
Amortisation			
At 1 April 2014	1,126,948	273,758	1,400,706
Charge for year	322,655	89,337	411,992
Disposals	(405,894)	(96,331)	(502,225)
At 31 March 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**
Net book value			
At 31 March 2016	**–**	**95,958**	**95,958**
At 31 March 2015	340,214	97,757	437,971

The other intangible assets of £95,958 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.

14. property, plant and equipment

Group	Freehold land and buildings £	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost					
At 1 April 2014	190,474	1,103,399	2,226,315	250,020	3,770,208
Additions	–	–	29,267	67,809	97,076
Disposals	(190,474)	–	(4,816)	(60,100)	(255,390)
At 31 March 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**
Depreciation					
At 1 April 2014	39,624	1,076,138	2,150,503	64,110	3,330,375
Charge for year	3,732	4,038	36,149	69,108	113,027
Disposals	(43,356)	–	(3,917)	(44,185)	(91,458)
At 31 March 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**
Net book value					
At 31 March 2016	**–**	**19,184**	**44,591**	**104,195**	**167,970**
At 31 March 2015	–	23,223	68,031	168,696	259,950

Company	Leasehold property £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost				
At 1 April 2014	59,052	39,541	–	98,593
Additions	–	–	–	–
At 31 March 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**
Depreciation				
At 1 April 2014	31,792	37,756	–	69,548
Charge for year	4,038	1,036	–	5,074
At 31 March 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**
Net book value				
At 31 March 2016	**19,183**	**3,110**	**–**	**22,293**
At 31 March 2015	23,222	749	–	23,971

15. investments in subsidiaries

Company	£
Cost	
At 1 April 2014	16,499,087
Disposals	–
At 31 March 2015	16,499,087
Disposals	(1,569,952)
At 31 March 2016	**14,929,135**
Provision for impairment in value	
At 1 April 2014	9,849,765
Disposals	–
At 31 March 2015	9,849,765
Disposals	(137,540)
At 31 March 2016	**9,712,225**
Net book value	
At 31 March 2016	**5,216,910**
At 31 March 2015	6,649,322

subsidiaries

	Number of shares	**2016 £**	2015 £
Rochdale Development Company Limited	357,500	**1,442,816**	1,442,816
PSG Connect Limited	180	**3,774,094**	3,774,094
Audiotel International Limited	69,114	**–**	1,432,412
		5,216,910	6,649,322

16. 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 (formerly PSG Franchising Limited)	180	25 June 2004	Property information services	England
SR (Kensington) Limited (formerly Security Research Limited)	2	31 January 2003	Non-trading	England
PSG Solutions Limited	1	19 April 2005	Non-trading	England
Chalenor Legal Services Limited	100	19 October 2009	Non-trading	England
Held indirectly				
Moore & Buckle (Flexible Packaging) Limited		15 April 2004	Flexible packaging	England
PSG Client Services Limited (formerly PSG Yorkshire Limited)		1 February 2006	Property information services	England
PSG Financial Services Limited		23 August 2005	Insurance services	England
PSG Energy Limited		6 September 2007	Energy surveys	England

Moore & Buckle (Flexible Packaging) Limited is a wholly owned subsidiary of Rochdale Development Company Limited. PSG Client Services Limited, PSG Financial Services Limited and PSG Energy Limited are wholly owned subsidiaries of PSG Connect Limited.

During the year Audiotel International Limited, Audiotel (UK) Limited and Security Research International Limited were sold.

17. inventories

Group	**2016** £	2015 £
Raw materials and consumables	**423,549**	876,934
Work in progress	**57,208**	191,554
Finished goods and goods for resale	**96,689**	262,607
	577,446	1,331,095

The cost of inventories recognised as an expense during the year was £555,553 (2015: £1,075,559).

The amount of inventories written down to fair value, less costs to sell, recognised as an expense during the year was £Nil (2015: £Nil).

18. trade and other receivables

Group	2016 £	2015 £
Trade receivables		
Current unimpaired	**1,458,083**	1,612,793
Overdue unimpaired	**245,650**	272,695
Less: allowance for doubtful debts	**(35,550)**	(53,965)
	210,100	218,730
Net trade receivables	**1,668,183**	1,831,523
Prepayments and accrued income	**664,264**	207,992
Other receivables	**1,528**	4,717
	2,333,975	2,044,232

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:

	2016 £	2015 £
Up to 60 days	**129,560**	83,590
Between 60 and 90 days	**59,550**	90,207
Between 90 and 120 days	**14,230**	14,555
Over 120 days	**6,760**	30,378
	210,100	218,730

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:

	2016 £	2015 £
Balance at 1 April	**53,965**	47,862
Net amounts written off in year	**(435)**	(3,607)
Eliminated on disposal of a subsidiary	**(23,637)**	–
Income statement charged in year	**5,657**	9,710
Balance at 31 March	**35,550**	53,965

Company	2016 £	2015 £
Prepayments and accrued income	**514,523**	38,638
Amounts owed by group undertakings	**–**	900,000
	514,523	938,638

The above debtors fall due within one year.

19. deferred tax asset

Group	2016 £	2015 £
Movement		
At 1 April	**172,162**	220,804
Credit/(expense) in year	**10,118**	(48,641)
Written off re disposal of specialist electronics division	**(182,280)**	–
Adjustment	**–**	(1)
At 31 March	**–**	172,162

	2016 £	2015 £
Credit/(expense) in year		
Capital allowances	**10,118**	(46,132)
Other timing differences	**–**	(2,509)
	10,118	(48,641)

The Group holds losses for capital gains purposes amounting at 31 March 2016 to £2,716,177 (2015: £2,716,177). No deferred tax asset is recognised in respect of these capital losses.

20. trade and other payables

Group	2016 £	2015 £
Current		
Trade payables	**689,444**	793,276
Other payables	**41,658**	176,998
Other taxes and social security	**213,375**	244,688
Accruals and deferred income	**568,980**	739,488
	1,513,457	1,954,450

Company	2016 £	2015 £
Current		
Trade payables	**515**	255
Amounts owed to group undertakings	**345,500**	345,500
Other taxes and social security	**26,684**	22,647
Accruals and deferred income	**39,884**	47,096
	412,583	415,498

21. share capital and reserves

	2016 Number	2016 £	2015 Number	2015 £
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**	19,328,900	3,865,780

In the year to 31 March 2016 480,160 ordinary shares of 20p each with an aggregate nominal value of £96,032 were issued on exercise of share options.

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 and 138,888 shares at a premium of 52p per share and in the current year due to the issue of 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.

22. share options

At 31 March 2016 share options were outstanding in respect of Nil (2015: 460,160) shares. It is not the board's intention to allot any further options.

share based payments

The options were introduced in February 2006 and April 2007. Options were granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option was 8 years following the vesting period. There were no reload features. Exercise of an option was dependent on continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The expected dividends factored into the model was £Nil.

During the year the company modified the unlapsed brought forward share options. The alteration in the number and exercise price of the share options in the current year was in accordance with the share option plan which provided for the alteration in the number and/or exercise price of the share options under certain qualifying circumstances provided that the auditors confirmed that the alterations were fair and reasonable and such confirmation was received. The three tender offers that have been made by the company in recent years were qualifying circumstances.

The fair value of the modification made amounted to an increase of £91,040. The fair value has been calculated as the difference between the directors' estimate of the share price at the date of the modifications and the exercise price of the modified share options.

	Grant date 2 April 2007	**Grant date 14 February 2006**
Share price at grant date	72p	50p
Exercise price (prior to modification)	72p	50p
Exercise price (post modification)	43p	25p
Number of directors and employees	2	2
Share options granted	330,000	1,278,572
Share options granted (modification increase)	–	159,524
Vesting period	2 years	2 years
Expected volatility	60%	60%
Option life years	10	10
Risk free rate	5.37%	4.44%
Fair value option	26.2p	17.9p

22. share options (continued)

A reconciliation of option movements over the year to 31 March 2016 is shown below.

	2016 Number of shares	2015 Number of shares
Outstanding at 1 April	**460,160**	460,160
Lapsed	**(139,524)**	–
	320,636	460,160
Modification increase	**159,524**	–
Exercised	**(480,160)**	–
Outstanding at 31 March	**–**	460,160
Exercisable at 31 March	**–**	460,160

The weighted average price of the options outstanding at 1 April 2015 was 59.1p.

The weighted average price of the options lapsed during the year was 54.7p (2015: Nil).

The weighted average alteration in the exercise price of 320,636 options, in accordance with the share option plan, was from 61.1p to 34.0p (2015: No change).

The weighted average price of the options granted during the year was 25.0p (2015: Nil).

The weighted average price of the options exercised during the year was 31.0p (2015: Nil).

There were no options outstanding or exercisable at 31 March 2016 (2015: 460,160).

23. financial instruments

capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern.

The Group finances its operations through retained earnings and the management of working capital.

The Group is not exposed to any externally imposed capital requirements.

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 and planned expansions.

(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 2016 the Group had financial assets as follows:

	2016 £	2015 £
Cash and cash equivalents	**5,698,652**	4,841,079

The rate of interest receivable on financial assets is variable.

23. financial instruments (continued)

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.

24. 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:

	2016		2015	
	Land and buildings	**Other**	Land and buildings	Other
	£	**£**	£	£
Within one year	**161,582**	**7,309**	258,593	11,478
In the second to fifth year	**409,771**	**8,356**	481,520	16,533
After five years	**–**	**–**	28,500	–
	571,353	**15,665**	768,613	28,011

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 £3,480 (2015: £21,725).

25. related party transactions

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

	2016	2015
	£	£
Remuneration (including benefits in kind)	**367,896**	569,691
Share based payments	**91,040**	–
Pension contributions	**5,517**	6,500
Compensation for loss of office	**–**	12,000
Re-location expenses	**12,000**	–
	476,453	588,191

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

26. loss on disposal of discontinued operations

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

The loss of £373,892 on the disposal is calculated as follows:

	£
Intangible assets	325,560
Property, plant and equipment	35,600
Inventories	762,900
Trade and other receivables	100,580
Deferred tax asset	182,280
Trade and other payables	(126,170)
Net assets at the date of disposal	1,280,750
Goodwill	73,142
Net proceeds on disposal	(980,000)
Loss on disposal	373,892

The net proceeds on disposal was £480,000 cash and £500,000 deferred consideration.

During the 5 months up to the date of disposal the specialist electronics division used £253,275 in operating activities (2015: £1,666,747) and £231,100 in investing activities (2015: £1,542,328 contribution) making a decrease in cash and cash equivalents of £484,375 in the period (2015: £124,419).

Notice of Annual General Meeting

For 2016

Notice is given to all shareholders that the Annual General Meeting of Security Research Group plc ("the Company") for 2016 will be held at the offices of the Company, Vicarage House, 58-60 Kensington Church Street, London W8 4DB on 24 August 2016 at 11 am for the transaction of the following business. All resolutions will be proposed as ordinary resolutions:

ordinary business

1. To receive the Company's financial statements for the financial year ended 31 March 2016 together with the strategic report, the directors' report and the auditors' report on those financial statements.
2. To re-appoint J A Warwick as a director of the Company, who retires under Article 88 at the Annual General Meeting.
3. To re-appoint B C Connor as director of the Company, who retires under Article 93 at the Annual General Meeting.
4. To re-appoint Milsted Langdon LLP, Chartered Accountants and Registered Auditors, as auditors of the Company to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company and to authorise the directors to determine the auditors' remuneration.

special business

5. That the Company be authorised to make purchases of ordinary shares of 20p each in the capital of the Company under Sections 693-701 of the Companies Act 2006 on such terms and in such manner as the directors of the Company may from time to time determine provided that:

   5.1 The maximum number of Ordinary Shares hereby authorised to be purchased is 7,923,624 (representing 40% of the Company's issued Ordinary Share capital);

   5.2 The amount paid for each such share shall not be less than 20p per Ordinary Share; and

   5.3 The authority herein contained shall expire in 15 months or at the conclusion of the next Annual General Meeting if earlier provided that the Company may before such expiry make a contract for the purchase of Ordinary Shares under the authority which would or might be executed wholly or partly after the expiry of this authority and may make purchases of Ordinary Shares in pursuance of such contract as if the authority hereby conferred had not expired.

By order of the Board

John Warwick
Company Secretary
22 July 2016
Vicarage House
58-60 Kensington Church Street
London
W8 4DB

Notes:

1. A member entitled to attend and vote at the meeting convened by the notice set out above may appoint a proxy to exercise all or any of his rights to attend, speak and vote instead of him. A proxy need not be a member of the Company. A member may appoint more than one proxy if each proxy is appointed to exercise the rights attaching to different shares held by the member. To appoint more than one proxy, please contact the Company's Registrars, Capita Asset Services, PXS, 34 Beckenham Road, Beckenham, BR3 4TU.
2. A form of proxy is provided. To be effective, the form of proxy must be received at the office of Capita Asset Services, PXS, 34 Beckenham Road , Beckenham, BR3 4TU not less than 48 hours before the time fixed for the Annual General Meeting. Completion of the form of proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.
3. The register of interests of the directors and their families in the share capital of the Company and copies of contracts of service of directors with the Company or with any of its subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the meeting.
4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the date of the meeting, or, if the meeting is adjourned, shareholders entered on the Company's register of members not less than 48 hours before the time fixed for the adjourned meeting shall be entitled to attend and vote at the meeting.
5. As at 15 July 2016, the Company's issued share capital comprised 19,809,060 ordinary shares of 20p each. Each ordinary share carries the right to one vote at a general meeting of the Company.

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