Independent auditors' report
to the members of Premier Technical Services Group Plc

REPORT ON THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Opinion

In our opinion, Premier Technical Services Group PLC's group financial statements (the "financial statements"):

- give a true and fair view of the state of the group's affairs as at 31 December 2018 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the "Annual Report"), which comprise: the consolidated balance sheet as at 31 December 2018; the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• Overall group materiality: £712,000 (2017: £507,000), based on 5% of adjusted profit before tax.
Audit scope	• The reporting units where we performed audit work accounted for 81% of the group's revenue, 85% of accrued income balances, 85% of trade receivables balances and 79% of adjusted profit. • We also performed audit work on all acquisitions during the year.
Key audit matters	• Acquisition accounting. • Trade receivables and accrued income recoverability. • Recognition of other operating income.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key matter
Acquisition accounting The acquisitions of Guardian Electrical Compliance Limited (Guardian) and M&P Fire Protection Limited (M&P) for consideration of £14.1m resulted in the group recognising £14.7m of intangibles. We consider there to be a specific risk associated with the value ascribed to goodwill and intangible assets, as it is material, can be complex and is judgemental. These judgements impact the valuation of assets and liabilities acquired and the recognition of goodwill. The acquisition purchase price for Guardian and M&P include elements of deferred consideration related to future employment of key management.	Our audit procedures focused on understanding the basis for management's calculation of fair value acquisition adjustments, assessment of acquired intangibles and in particular the assumptions and judgements made by management. We have performed the following substantive procedures: • Obtained management's calculations of goodwill and intangible assets for each acquisition. For the largest acquisition, Guardian, management used a third party valuation specialist; we have obtained and considered their report. • Evaluated management's assumptions behind the treatment of consideration and fair value of intangibles. • Agreed total consideration to share purchase agreements and reviewed contracts to understand the terms setting out consideration payments. We ensured that the remuneration element was correctly treated as expense rather than purchase price. • Recalculated management's models for each acquisition. • Used our internal valuation specialists to assist with the audit of the identification and valuation of the assets and liabilities acquired. Based upon the procedures performed we considered management's recognition of goodwill, intangibles and fair value adjustments and disclosures to be appropriate. We also consider the accounting treatment of deferred consideration related to future employment of key management is appropriate.
Trade receivables and accrued income recoverability The Group's trade receivables balance at the year end of £26.6m includes £5.2m of balances over 120 days old that are not impaired. In addition there is a year-end accrued income balance of £8.4m. We consider there to be a specific risk associated with the value of these balances given their size and nature. We have focused on the judgements taken by management when estimating the year end provision for impairment of trade receivables and the timing of recognition and recoverability of accrued income. This is a particular area of focus of our audit given the challenges in the industry, the significant judgements involved in determining provisions, and the length of the group's working capital cycle on many projects from when work is performed to when cash is ultimately collected.	Our audit procedures included understanding and evaluating the controls and systems related to the accrued income and trade receivables process and, where appropriate, obtaining audit evidence through substantive audit procedures. The substantive procedures include: • Reviewed customer correspondence for indicators of impairment. • Enquired of credit control over systems, processes and potential impairment. • Reviewed board minutes. • Reviewed correspondence with debt collection agencies. • Obtained evidence of existence of both trade receivables and accrued income by reviewing proof of work completion, application for payments, payment certificates and contracts. • Reviewed management's judgements in calculating the provision for impairment. • Confirmed settlements of trade receivables to post year end cash receipts and remittance advice. • Confirmed conversion of accrued income into trade receivables invoices post year end. • Checked the mathematical accuracy of the calculation for the provision for impairment of receivables. • Recalculated the ageing of the trade receivables and accrued income detailed listings, and the matching of cash receipts to specific invoices. Based upon the procedures performed we considered management's provisions, impairments and disclosures to be appropriate.
Recognition of other operating income During the year ended 31 December 2018, PTSG provided consultancy services to Trinity Fire and Security Systems Limited (Trinity) which was subsequently acquired post year end and is now a subsidiary of the Group. We consider there to be a specific risk associated with the consultancy services given Trinity was subsequently acquired post year end. We have focused on the judgements taken by management in recognising the consultancy services income of £1.6m as other operating income in the current year rather than accounting for the two transactions as linked transactions (by reducing the purchase price by the amount of the consultancy income).	Our audit procedures including understanding the nature, timing and extent of the consultancy services, the basis of the contractual arrangements and the assumptions and judgements made by management. We have performed the following substantive procedures: • Obtained Board minutes detailing the services performed and agreement of the £1.6m charge by Trinity. • Obtained Completion Accounts showing the recognition of the £1.6m consultancy charge by Trinity. • Reviewed Trinity management accounts showing the profit improvement as a result of the consultancy services. • Obtained the supporting documentation in respect of the acquisition including signed Heads of Terms and Sale and Purchase Agreement to consider if there was any contingent element of the deal/linkage with the consultancy services. • Reviewed management's assumptions and judgements in calculating the consultancy services income. • Confirmed part settlement of Other receivable balance to post year end cash receipt. Based upon the procedures performed we considered management's judgement that the transactions are separate and therefore the recognition of the consultancy services as other operating income in the current year to be appropriate.

Independent auditors' report
to the members of Premier Technical Services Group Plc continued

How we tailored the audit scope
We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

The group is organised into four main operating divisions being Access & Safety, Electrical Services, Building Access Specialists and Fire Solutions.

The group financial statements are a consolidation of the 18 reporting entities within these four operating divisions. Of the group's 18 reporting entities, we identified 7 (Premier Technical Services Group PLC, PTSG Access & Safety Limited, PTSG Electrical Services Limited, Brooke Edgley Specialist Technical Services Limited, Guardian Electrical Compliance Limited, UK Sprinklers Limited, and Integral Cradles Limited) which, in our view, required an audit of their complete financial information either due to their size or risk characteristics.

We have also audited specific balances within other reporting entities to give adequate coverage of the Group financial statements.

This, together with additional procedures performed on the group's centralised functions, gave us the evidence we needed for our opinion on the group financial statements as a whole.

All work was performed by the group audit team.

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£712,000 (2017: £507,000).
How we determined it	5% of adjusted profit before tax.
Rationale for benchmark applied	The key objective of the group is to deliver underlying profitable growth to increase long-term shareholder value. As a result, we believe adjusted profit before tax is the primary measure used by the shareholders in assessing the performance of the group and is therefore the appropriate benchmark to use in assessing materiality.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £67,000 and £241,000. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £35,600 (2017: £25,300) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the group's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit
Responsibilities of the directors for the financial statements
As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING
Companies Act 2006 exception reporting
Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- certain disclosures of directors' remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

OTHER MATTER
We have reported separately on the company financial statements of Premier Technical Services Group PLC for the year ended 31 December 2018.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

26 March 2019

Consolidated statement of comprehensive income
for the year ended 31 December 2018

		Year ended 31 December 2018			Year ended 31 December 2017		
	Note	Before adjusting items £	Adjusting items (note 6) £	Total £	Before adjusting items £	Adjusting items (note 6) £	Total £
Revenue	4	**69,097,155**	–	**69,097,155**	52,939,183	–	52,939,183
Cost of sales		**(34,134,303)**	–	**(34,134,303)**	(25,860,206)	–	(25,860,206)
Gross profit		**34,962,852**	–	**34,962,852**	27,078,977	–	27,078,977
Operating costs	6	**(22,280,539)**	**(10,457,975)**	**(32,738,514)**	(16,755,254)	(8,286,404)	(25,041,568)
Other operating income	6	**2,221,144**	–	**2,221,144**	319,299	–	319,299
Total operating profit		**14,903,457**	**(10,457,975)**	**4,445,482**	10,643,022	(8,286,404)	2,356,618
Finance costs	7	**(648,743)**	**(73,319)**	**(722,062)**	(491,885)	(71,357)	(563,242)
Profit before taxation		**14,254,714**	**(10,531,294)**	**3,723,420**	10,151,137	(8,357,761)	1,793,376
Taxation	9	**(1,172,508)**	**499,341**	**(673,167)**	(733,233)	270,542	(462,691)
Profit attributable to owners of the parent		**13,082,206**	**(10,031,953)**	**3,050,253**	9,417,904	(8,087,219)	1,330,685
Total comprehensive income/(expense) for the year attributable to owners of the parent		**13,082,206**	**(10,031,953)**	**3,050,253**	9,417,904	(8,087,219)	1,330,685
Earnings per share (pence):							
Basic and diluted earnings per share	10			**2.77**			1.37

The notes on pages 52 to 72 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity
for the year ended 31 December 2018

		Attributable to owners of the parent						
	Note	Share capital £	Capital redemption reserve £	Share Premium Account £	Retained earnings £	Total £	Non-controlling interest £	Total equity £
Balance at 31 December 2016		**884,025**	**128,573**	**548,418**	**10,482,697**	**12,043,713**	**179**	**12,043,892**
Profit for the year		–	–	–	1,330,685	1,330,685	–	1,330,685
Total comprehensive income		**–**	**–**	**–**	**1,330,685**	**1,330,685**	**–**	**1,330,685**
Transactions with owners								
Issue of share capital	20,21	161,192	–	16,806,567	(1,160,631)	15,807,128	–	15,807,128
Share based payments charge	13	–	–	–	2,444,433	2,444,433	–	2,444,433
Share based deferred consideration		–	–	–	923,000	923,000	–	923,000
Tax relating to share based payments		–	–	–	1,363,109	1,363,109	–	1,363,109
Ordinary dividends paid	22	–	–	–	(1,476,752)	(1,476,752)	–	(1,476,752)
Transactions with owners		**161,192**	**–**	**16,806,567**	**2,093,159**	**19,060,918**	**–**	**19,060,918**
Balance at 31 December 2017		**1,045,217**	**128,573**	**17,354,985**	**13,906,541**	**32,435,316**	**179**	**32,435,495**
Profit for the year		–	–	–	3,050,253	3,050,253	–	3,050,253
Total comprehensive income		**–**	**–**	**–**	**3,050,253**	**3,050,253**	**–**	**3,050,253**
Transactions with owners								
Issue of share capital	20,21	186,652	–	23,123,374	(2,717,563)	20,592,463	–	20,592,463
Share based payments charge	13	–	–	–	1,302,498	1,302,498	–	1,302,498
Share based deferred consideration		–	–	–	1,323,000	1,323,000	–	1,323,000
Tax relating to share based payments		–	–	–	(1,032,697)	(1,032,697)	–	(1,032,697)
Ordinary dividends paid	22	–	–	–	(1,872,379)	(1,872,379)	–	(1,872,379)
Transactions with owners		**186,652**	**–**	**23,123,374**	**(2,997,141)**	**20,312,885**	**–**	**20,312,885**
Balance at 31 December 2018		**1,231,869**	**128,573**	**40,478,359**	**13,959,653**	**55,798,454**	**179**	**55,798,633**

The notes on pages 52 to 72 are an integral part of these consolidated financial statements.

Consolidated balance sheet
as at 31 December 2018

	Note	2018 £	2017 £
Assets			
Non-current assets			
Intangible assets	11	**40,130,047**	26,212,021
Property, plant and equipment	12	**5,645,423**	4,310,058
Deferred tax asset	19	**–**	1,567,611
Total non-current assets		**45,775,470**	32,089,690
Current assets			
Inventories	14	**1,370,306**	1,219,165
Trade and other receivables	15	**39,501,417**	32,531,384
Cash at bank and in hand		**10,525,955**	7,002,025
Total current assets		**51,397,678**	40,752,574
Liabilities			
Current liabilities			
Trade and other payables	16	**9,830,569**	9,030,829
Bank overdraft		**10,402,258**	12,662,910
Finance leases	17	**1,123,782**	736,069
Borrowings	17	**–**	52,167
Loan notes	18	**1,680,000**	–
Deferred consideration	18	**1,935,679**	1,335,432
Current tax liabilities		**571,980**	839,982
Total current liabilities		**25,544,268**	24,657,389
Net current assets		**25,853,410**	16,095,185
Non-current liabilities			
Borrowings	17	**12,000,000**	12,661,742
Loan notes	18	**1,060,881**	2,667,563
Finance leases	17	**1,275,250**	420,075
Deferred consideration	18	**677,000**	–
Deferred tax liability	19	**817,116**	–
Total non-current liabilities		**15,830,247**	15,749,380
Net assets		**55,798,633**	32,435,495
Equity attributable to the owners of the parent			
Share capital	20	**1,231,869**	1,045,217
Capital redemption reserve	21	**128,573**	128,573
Share premium account	21	**40,478,359**	17,354,985
Retained earnings	21	**13,959,653**	13,906,541
		55,798,454	32,435,316
Non-controlling interests		**179**	179
Total equity		**55,798,633**	32,435,495

The consolidated financial statements on pages 48 to 72 were approved by the Board of Directors on 26th March 2019 and were signed on its behalf by:

Paul Teasdale
Chief Executive Officer

Consolidated cash flow statement
for the year ended 31 December 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit after taxation		**3,050,253**	1,330,685
Adjustments for:			
Income tax charge	9	**673,167**	462,691
Depreciation	12	**2,237,531**	1,683,633
Amortisation of intangible assets	11	**829,857**	370,623
Profit on disposal of property, plant and equipment	8	**(621,144)**	(319,299)
Finance costs	7	**722,062**	563,242
Share based payments	13	**1,482,243**	2,998,813
		8,373,969	7,090,388
Changes in working capital:			
Increase in inventories		**(59,973)**	(243,705)
Increase in trade and other receivables		**(4,586,208)**	(7,462,133)
(Decrease)/increase in trade and other payables		**932,863**	(195,864)
Cash generated from/(used in) operations		**4,660,651**	(811,314)
Interest paid	7	**(648,743)**	(491,885)
Tax paid		**(1,047,406)**	(790,890)
Net cash inflow/(outflow) from operating activities		**2,964,502**	(2,094,089)
Cash flows from investing activities			
Acquisition of businesses	25	**(11,859,382)**	(14,993,975)
Purchase of property, plant and equipment		**(1,240,713)**	(1,368,289)
Payment of deferred consideration	18	**(1,772,054)**	(1,060,000)
Net proceeds from sale of property, plant and equipment		**1,390,647**	626,002
Net cash outflow from investing activities		**(13,481,502)**	(16,796,262)
Cash flows from financing activities			
(Repayment)/Proceeds from borrowings		**(713,909)**	1,944,124
Capital element of finance lease payments		**(1,704,593)**	(1,028,513)
Issue of shares	20	**20,592,463**	15,807,128
Dividends paid	22	**(1,872,379)**	(1,476,752)
Net cash inflow from financing activities		**16,301,582**	15,245,987
Net increase/(decrease) in cash and cash equivalents		**5,784,582**	(3,644,364)
Cash and cash equivalents at 1 January		**(5,660,885)**	(2,016,521)
Cash and cash equivalents at 31 December*		**123,697**	(5,660,885)

The notes on pages 52 to 72 are an integral part of these consolidated financial statements.

* cash and cash equivalents comprises cash at bank in hand of £10,525,955 (2017: £7,002,025) less bank overdraft of £10,402,258 (2017: £12,662,910).

Notes to the consolidated financial statements

1. GENERAL INFORMATION

Premier Technical Services Group PLC (the "Company") is a company incorporated and domiciled in the UK and limited by shares. The address of the registered office is: 13 Flemming Court, Whistler Drive, Castleford, WF10 5HW (registered company number is 06005074). The Company and its subsidiaries' (together referred to as "the Group") is a Niche Specialist Service Provider whose principal activities are the maintenance, inspection, testing, repair and installation of permanent façade access equipment, fall arrest systems and lightning protection systems together with fixed wire and portable appliance testing and high level cleaning and fire solutions.

2. ACCOUNTING POLICIES

(a) Basis of preparation

These financial statements have been prepared in accordance with the requirements of the AIM Rules, in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), the International IFRS Interpretations Committee's ("IFRSIC") interpretations and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS.

These consolidated financial statements have been prepared under the historical cost convention and on a going concern basis.

The principal accounting policies adopted in the preparation of the consolidated financial information are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(b) Going concern

This consolidated financial information relating to the Group has been prepared on the going concern basis.

After making appropriate enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least one year from the date of signing these financial statements. For these reasons they continue to adopt the going concern basis in preparing the Group's financial statements.

The cash flow projections are the sole responsibility of the Directors based upon their present plans, expectations and intentions. In this context, the Directors have prepared and considered cash flow projections for the Group for a period extending one year from the date of approval of these financial statements. Based on these cash flows, and having regard to the provision of the debt facility as described in note 17 to these financial statements the Directors are satisfied that the Group is able to meet its liabilities as and when they fall due for the foreseeable future and for a minimum period of 12 months from the date of signing these consolidated financial statements.

(c) Changes in accounting policy and disclosures

(i) New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2018 have had a material impact on the group or parent company.

(ii) New standards, amendments and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2018, and have not been applied in preparing these financial statements.

IFRS 16 'Leases' is a replacement for IAS 17 'Leases' and will be effective for the period ending 31 December 2019 onwards. IFRS 16 required lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts.

The Group is currently assessing the impact of IFRS 16 on its existing lease portfolio and it is expected to impact the majority of their operating lease commitments. This includes a material impact on the balance sheet, as both assets and liabilities will increase, and it is also expected to have a material impact on key components on the income statement, such as a reduction in operating expenses, which is expected to materially increase EBITDA. The adoption will also result in an increase in depreciation on the right-of-use asset and interest recognised on the lease liability. This will result in a change to the profile of the income statement over the life of the lease and will consequently impact profit after tax. There will be no impact on cashflows, although the presentation of the cash flow statement will change.

Management has begun to review and quantify the expected impact using the current lease portfolio. The impact of this will depend upon the facts and circumstances as at the time of adoption and the transition choices adopted. The impact is expected to be a material increase in the assets and liabilities of the Group, in a similar quantum to the operating lease commitments noted in the statutory accounts.

2. ACCOUNTING POLICIES continued

(d) Basis of consolidation

Subsidiaries

Subsidiaries are all entities over which the Group has control. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial information of subsidiaries is included in the consolidated financial statements from the date on which control transferred to the Group until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances, and any gains and losses or income and expenses arising from Intragroup transactions, are eliminated in preparing the consolidated financial statements.

(e) Property, plant and equipment

Owned assets

Items of property, plant and equipment are stated at cost or deemed cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. When parts of an item of property, plant and equipment have different useful lives, those components are accounted for as separate items of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Leased assets

Leases under which the Group assumes substantially all the risks and rewards of ownership of an asset are classified as finance leases. Property, plant and equipment acquired under finance leases is recorded at fair value or, if lower, the present value of minimum lease payments at inception of the lease, less depreciation and any impairment.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in the other long-term payables. The interest element of the finance cost is charged to the income statement on a straight-line basis. The property, plant and equipment under finance leases is depreciated over the shorter of the useful life of the asset and lease term.

Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term. Freehold land is not depreciated. The estimated useful lives are as follows:

- Freehold buildings – depreciated over 50 years
- Leasehold improvements – depreciated over term of lease
- Fixtures, fittings and equipment – 25% on cost
- Motor vehicles – 33% on cost
- Plant and machinery – 15-50% on cost

The residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Where necessary provision is made for obsolete, slow moving and defective stocks. Cost comprises the purchase price of goods and other directly attributable costs incurred in bringing the product to its present location and condition. Net realisable value is the estimated selling price reduced by all costs of completion, marketing, selling and distribution.

(g) Intangible assets

Goodwill

Goodwill arising on acquisitions comprises the excess of the fair value of the consideration for investments in subsidiary undertakings over the fair value of the net identifiable assets acquired at the date of acquisition. Goodwill arising on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposals of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the lowest level within the Group at which the associated level of goodwill is monitored for management purposes and are not larger than the operating segments determined in accordance with IFRS 8, "Operating Segments".

2. ACCOUNTING POLICIES continued

(g) Intangible assets continued

Business Combinations

From 1 January 2011, the Group has applied IFRS 3, "Business combinations" (2008) in accounting for business combinations. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

For acquisitions on or after 1 January 2011, the Group measures goodwill at the acquisition date as the fair value of the consideration transferred less the fair value of identifiable assets acquired and liabilities assumed.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Contingent consideration related to future employment is recognised through profit or loss. Otherwise subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For acquisitions prior to 1 January 2011, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amounts (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Tender list, order book and customer relationships

The Group's intangible assets with finite useful lives are the order book and tender list recognised following the acquisition of Integral Cradles Limited in 2015 and customer relationships recognised following the acquisition of Brooke Edgley (Industrial Chimneys) Ltd. and Guardian Electrical Compliance Ltd. Intangible assets with finite lives are stated at cost, less accumulated amortisation and accumulated impairment losses if any. Amortisation of the order book is recognised in the profit and loss account on a straight-line basis over the estimated useful lives of the orders in place at acquisition. Amortisation of the tender list and customer relationships is recognised in the profit and loss account over its estimated useful life and principally reflects management's view of the average economic life.

The estimated useful lives are as follows:

- Order book – 15 months;
- Tender list – 3 years; and
- Customer relationships – 5 years.

(h) Impairment of non-financial assets

Assets not subject to amortisation are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill that suffered an impairment, are reviewed for possible reversal of the impairment at each reporting date.

(i) Financial assets and liabilities

Classification

The Group classifies its financial assets as loans and receivables. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that arise principally through the provision of services to customers. They are initially recognised at fair value, and are subsequently stated at amortised cost using the effective interest method. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. Loans and receivables comprise mainly cash and cash equivalents and trade and other receivables.

Impairment of financial assets

The group assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost. The group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the group determines whether there has been a significant increase in credit risk since initial recognition. The group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

2. ACCOUNTING POLICIES continued

Derecognition continued

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows, but are shown separately on the Balance Sheet.

(k) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost.

(l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

(m) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. The increase in the provision due to passage of time is recognised in finance costs.

(n) Share capital

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in share premium as a deduction from the proceeds.

(o) Revenue

Revenue is measured at the fair value of the consideration received or receivable (excluding value added tax and discount given) derived from the provision of goods and services to customers during the period.

i) Installation

The Group enters into contracts to design and install façade access equipment, fall arrest systems and lightning protection systems. Revenue is recognised (to the extent to which performance has taken place at the balance sheet date in accordance with the percentage completion method) in the accounting period in which the services are rendered, by reference to the stage of completion of the contract at the balance sheet date and assessed on the basis of the actual service provided as a proportion of the total service to be provided.

ii) Test, inspection and repair

The Group maintains, tests, inspects and repairs façade access equipment, fall arrest systems and lightning protection systems. Revenue is recognised on completion of the relevant work and the Group has objective evidence that all criteria for acceptance have been satisfied.

(p) Leases

The costs associated with operating leases are taken to the income statement on an accruals basis over the period of the lease. Where the Group enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a "finance lease", the accounting policy for which is disclosed in (e).

(q) Net finance costs

Finance costs

Finance costs comprise interest payable on borrowings and financial leases.

Finance income

Finance income comprises interest receivable on funds invested.

(r) Income tax

Income tax for the years presented comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Notes to the consolidated financial statements continued

2. ACCOUNTING POLICIES continued

(r) Income tax continued

The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of other assets or liabilities that affect neither accounting nor taxable profit; nor differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(s) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting to the Board of Directors which has been identified as the chief operating decision maker. The Board of Directors consists of the Executive Directors and the Non-executive Directors.

(t) Employee benefits: Pension obligations

The Group operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(u) Adjusting items

Adjusting items are disclosed separately in the financial statements where it is necessary to do so to provide clearer understanding of the underlying financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

(v) Share based payments

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability,sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save).

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity in the parent entity accounts.

(w) Dividends

Dividends payable are recorded in the period in which they are approved or paid, whichever is earliest.

3. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements under IFRS requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The Directors consider that the following estimates and judgements are likely to have the most significant effect on the amounts recognised in the consolidated financial statements:

Critical judgements

Other operating income

During the year, PTSG provided consultancy services to Trinity Fire and Security Systems Limited which was subsequently acquired and is now a subsidiary of the Group. Management has considered whether these two transactions should be accounted for as a linked transaction (by reducing the purchase price by the amount of the consultancy income) and have concluded that they are separate and therefore the consultancy service has been recognised as other operating income in the current year.

Share based payments

The fair value of share based payments is based on management estimates of the number of shares that will vest and the associated timings. Further disclosure in respect of share based payments is provided in note 13.

Critical estimates

Business combinations

On acquisition, the Company calculates the fair value of the net assets acquired. The assessment of assets is necessarily judgemental and therefore will directly impact on the value of goodwill carried on the balance sheet. Goodwill is tested annually for impairment based on the cash flows of the income generating unit to which it relates. Judgement is applied to assessing the future revenues to be achieved from an acquisition and the appropriate discount rate. These estimates affect whether an impairment of goodwill should be recognised. Further disclosures in respect of the impairment of goodwill are provided in note 11.

Revenue recognition

Certain of the Group's installation contracts have a term of several months. The Directors assess the timing of the revenue according to the extent to which performance has taken place. As such, an element of judgement is required when assessing the stage of completion at a period end.

Trade receivables

Trade receivables and accrued income are continually reviewed for impairment and provided for where necessary. The Directors assess the requirement for any provision based on the age of the debt or accrued income compared to agreed terms, recent history of default and current economic climate. As such there is an element of judgement required in estimating the probable losses inherent in the trade receivables. Further disclosures in respect of the impairment of trade and other receivables are provided in note 15.

Deferred consideration

Amounts payable in respect of acquisitions can depend in part upon the achievement of a number of financial and non-financial performance measures specified in the purchase agreements. The Directors estimate the amounts payable by assessing, amongst other things, the performance of the acquired businesses since acquisition against the measures specified in the purchase agreements. As such, an element of judgement is required in determining whether the performance measures will be achieved.

4. SEGMENTAL REPORTING

Management has determined the operating segments based on the operating reports reviewed by the Board of Directors that are used to assess both performance and strategic decisions. Management has identified that the Board of Directors is the chief operating decision maker in accordance with the requirements of IFRS 8, "Operating segments".

The Board of Directors organise the Group around products and services and considers the business to be split into four main types of business generating revenue; Access and Safety, Electrical Services, Building Access Specialists and Fire Solutions.

Principally, all revenue originates in the UK.

Notes to the consolidated financial statements continued

4. SEGMENTAL REPORTING continued

2018

	Access and Safety £	Electrical Services £	Building Access Specialists £	Fire Solutions £	Group £	Total £
Revenue						
Total revenue	17,297,574	30,876,933	5,637,377	15,285,271	–	69,097,155
Total revenue from external customers	**17,297,574**	**30,876,933**	**5,637,377**	**15,285,271**	**–**	**69,097,155**
Operating profit before adjusting items	**2,947,284**	**6,987,254**	**1,381,857**	**3,545,763**	**41,299**	**14,903,457**
Restructuring costs	(805,574)	(633,006)	–	(37,203)	–	(1,475,783)
Share options granted to Directors and employees	(2,357,034)	–	–	–	–	(2,357,034)
Amortisation of intangible asset acquired	(52,334)	(752,523)	(25,000)	–	–	(829,857)
Contingent payments in relation to acquisitions	(91,667)	(5,703,634)	–	–	–	(5,795,301)
Segment operating profit	**(359,325)**	**(101,909)**	**1,356,857**	**3,508,560**	**41,299**	**4,445,482**
Net finance cost	(147,804)	(88,883)	(8,184)	(20,382)	(456,809)	(722,062)
Profit before taxation	**(507,129)**	**(190,792)**	**1,348,673**	**3,488,178**	**(415,510)**	**3,723,420**
Other segmental items						
Segment assets	21,332,705	22,713,251	3,696,054	9,195,480	40,235,659	97,173,149
Segment liabilities	(3,455,548)	(18,308,261)	(1,911,014)	(2,847,733)	(14,851,960)	41,374,516
Capital expenditure	1,240,021	2,029,449	362,392	556,332	–	4,188,194
Depreciation	619,594	1,220,513	180,455	216,969	–	2,237,531

Segmental operating profit

The reconciliation of Adjusted EBITDA to statutory operating profit is shown below.

	Access and Safety £	Electrical Services £	Building Access Specialists £	Fire Solutions £	Group £	Total £
Adjusted EBITDA	3,566,878	8,207,767	1,562,312	3,762,732	41,299	17,140,988
Depreciation	(619,594)	(1,220,513)	(180,455)	(216,969)	–	(2,237,531)
Operating profit before adjusting items	**2,947,284**	**6,987,254**	**1,381,857**	**3,545,763**	**41,299**	**14,903,457**
Restructuring costs	(805,574)	(633,006)	–	(37,203)	–	(1,475,783)
Share options granted to Directors and employees	(2,357,034)	–	–	–	–	(2,357,034)
Amortisation of intangible asset acquired	(52,334)	(752,523)	(25,000)	–	–	(829,857)
Contingent payments in relation to acquisitions	(91,667)	(5,703,634)	–	–	–	(5,795,301)
Statutory operating profit	**(359,325)**	**(101,909)**	**1,356,857**	**3,508,560**	**41,299**	**4,445,482**

4. SEGMENTAL REPORTING continued

2017

	Access and Safety £	Electrical Services £	Building Access Specialists £	Fire Solutions £	Group £	Total £
Revenue						
Total revenue	20,200,519	20,163,991	5,445,543	7,129,130	–	52,939,183
Total revenue from external customers	**20,200,519**	**20,163,991**	**5,445,543**	**7,129,130**	**–**	**52,939,183**
Operating profit before adjusting items	**3,184,034**	**4,682,742**	**1,227,390**	**1,580,356**	**(31,500)**	**10,643,022**
Restructuring costs	(566,648)	(741,074)	(28,601)	(48,790)	(6,493)	(1,391,606)
Share options granted to Directors and employees	(2,998,813)	–	–	–	–	(2,998,813)
Amortisation of intangible asset acquired	(52,333)	(293,290)	(25,000)	–	–	(370,623)
Contingent payments in relation to acquisitions	(100,000)	(3,425,362)	–	–	–	(3,525,362)
Segment operating profit	**(533,760)**	**223,016**	**1,173,789**	**1,531,566**	**(37,993)**	**2,356,618**
Net finance cost	(89,433)	(75,482)	(15,951)	(15,780)	(366,596)	(563,242)
Profit before taxation	**(623,193)**	**147,534**	**1,157,838**	**1,515,786**	**(404,589)**	**1,793,376**
Other segmental items						
Segment assets	22,713,713	15,590,383	7,419,880	6,450,468	20,667,820	72,842,264
Segment liabilities	(4,801,727)	(11,230,228)	(2,058,857)	(1,887,288)	(20,428,669)	(40,406,769)
Capital expenditure	906,201	791,942	163,308	172,406	–	2,033,857
Depreciation	575,648	820,212	175,399	112,374	–	1,683,633

Segmental operating profit

The reconciliation of Adjusted EBITDA to statutory operating profit is shown below.

	Access and Safety £	Electrical Services £	Building Access Specialists £	Fire Solutions £	Group £	Total £
Adjusted EBITDA	3,759,682	5,502,954	1,402,789	1,692,730	(31,500)	12,326,655
Depreciation	(575,648)	(820,212)	(175,399)	(112,374)	–	(1,683,633)
Operating profit before adjusting items	3,184,034	4,682,742	1,227,390	1,580,356	(31,500)	10,643,022
Restructuring costs	(566,648)	(741,074)	(28,601)	(48,790)	(6,493)	(1,391,606)
Share options granted to Directors and employees	(2,998,813)	–	–	–	–	(2,998,813)
Amortisation of intangible asset acquired	(52,333)	(293,290)	(25,000)	–	–	(370,623)
Contingent payments in relation to acquisitions	(100,000)	(3,425,362)	–	–	–	(3,525,362)
Statutory operating profit	**(533,760)**	**223,016**	**1,173,789**	**1,531,566**	**(37,993)**	**2,356,618**

Notes to the consolidated financial statements continued

5. EMPLOYEES AND DIRECTORS

(a) Staff costs for the Group during the year:

	2018 £	2017 £
Wages and salaries	**22,980,064**	15,424,130
Defined contribution pension cost (note 5d)	**778,764**	174,304
Share options granted to Directors and employees (note 13)	**2,357,034**	2,860,710
Social security costs	**3,387,358**	2,189,439
	29,503,220	20,648,583

	2018 Number	2017 Number
By reportable segment		
Access and Safety	**173**	157
Electrical Services	**394**	205
Building Access Specialists	**63**	58
Fire Solutions	**65**	37
	695	457

(b) Key Management

Key management includes Directors and others. The compensation paid or payable to key management for employee services is shown below.

	2018 £	2017 £
Aggregate emoluments	**1,926,512**	2,215,744
Pension contributions	**57,625**	48,479
	1,984,137	2,264,223

(c) Directors' emoluments

The following costs are paid by PTSG Access and Safety Limited.

	2018 £	2017 £
Aggregate emoluments	**867,000**	1,261,634
Pension contributions	**2,625**	1,425
	869,625	1,263,059

In addition to the above, Roger Teasdale has participated in various share based payment arrangements as per note 13.

Directors Aggregate emoluments

	2018 £	2017 £
Paul Teasdale	**124,431**	124,361
John Foley	**102,365**	103,077
Mark Watford	**166,624**	159,759
Roger Teasdale	**416,743**	828,362
Roger McDowell	**–**	17,500
Alan Howarth	**30,000**	30,000
Michael Higgins	**29,462**	–
	869,625	1,263,059

Mark Watford's emoluments include pension contributions of £2,625.

5. EMPLOYEES AND DIRECTORS continued

(c) Directors' emoluments continued

Highest Paid Director

	2018 £	2017 £
Aggregate emoluments	416,743	828,362
Pension contributions	–	–
	416,743	828,362

In addition to the above, Roger Teasdale has participated in various share based payment arrangements as per note 13.

(d) Retirement benefits

The Group offers membership of the PTSG Group Pension Scheme to eligible employees, the only pension arrangements operated by the Group. The scheme is a defined contribution scheme and the pensions cost in the year was £778,764 (2017: £174,304).

6. OPERATING COSTS AND OTHER OPERATING INCOME

	2018 £	2017 £
Distribution costs	1,263,482	928,030
Administration costs	31,475,032	24,113,628
Other operating income	(2,221,144)	(319,299)
	30,517,370	24,722,359

The following adjusting items have been included in administration costs.

	2018 £	2017 £
Restructuring and acquisition related costs	1,475,783	1,391,606
Share options granted to Directors and employees (note 13)	2,357,034	2,998,813
Amortisation of intangible asset acquired (note 11)	829,857	370,623
Contingent amounts payable in relation to acquisitions	5,795,301	3,525,362
	10,457,975	8,286,404

In both years, the Group undertook a restructuring exercise. Costs relating to these one off items have been included as an adjusting item. These costs have been charged to administrative expenses.

The contingent payments in relation to acquisitions relate to cash payments (either paid in year or payable in subsequent periods) or shares granted to the vendors of the businesses acquired in accordance with the terms of each Sale and Purchase Agreement and are based on the achievement of certain milestones. Contingent amounts payable in respect of acquisitions can depend in part upon the achievement of a number of financial and non-financial performance measures specified in the purchase agreements and in part subject to the continued employment of the vendor. Where payment is linked to the continued employment of the vendor, the arrangement to pay these additional amounts is accounted for separately to the business combination as remuneration. This benefit payable is charged to the consolidated statement of comprehensive income over the period in which the services are provided as an employment expense.

Other operating income related to the profit on disposal of fixed assets and during the year ended 31 December 2018, PTSG provided consultancy services to Trinity Fire and Security Systems Limited which was subsequently acquired in a separate transaction and is now a subsidiary of the Group, see note 3 and note 27.

Cash payments in relation to adjusting items are £3,489,154 (2017: £2,451,606).

7. FINANCE COSTS

	2018 £	2017 £
Interest costs:		
Interest payable on borrowings	383,489	295,239
Interest arising from finance leases	265,254	196,646
	648,743	491,885
Adjusting items:		
Costs associated with acquisition financing	73,319	71,357
	722,062	563,242

Notes to the consolidated financial statements continued

8. PROFIT BEFORE TAXATION – ANALYSIS BY FUNCTION

Profit before taxation is stated after charging/(crediting):

	2018 £	2017 £
Net operating costs		
– Distribution costs	**1,263,482**	928,030
– Administrative costs	**31,475,032**	24,113,628
Employment benefit expense	**29,503,220**	20,648,583
Depreciation of property, plant and equipment – leased (note 12)	**1,882,509**	1,462,740
Depreciation of property, plant and equipment – owned (note 12)	**355,022**	220,893
Amortisation of intangible assets	**829,857**	370,623
Profit on the sale of property, plant and equipment	**(621,144)**	(319,299)
Consultancy services	**(1,600,000)**	–
Operating lease rentals		
– Land and building	**593,734**	366,270

During the year the Group obtained the following services from the Company's auditors:

	2018 £	2017 £
Fees payable to Company's auditor for the audit of the parent company and consolidated financial statements	**12,360**	12,000
Fees payable to Company's auditor for other services:		
– The audit of Company's subsidiaries	**155,440**	148,000
– Other services	**–**	–
– Tax compliance	**35,000**	29,400
	202,800	189,400

9. TAXATION

Analysis of charge in year	2018 £	2017 £
Current tax on profits for the year	**528,619**	1,077,315
Adjustments in respect of prior years	**(10,008)**	(242,153)
Total current tax	**518,611**	835,162
Origination and reversal of temporary differences	**148,496**	(377,356)
Adjustments in respect of prior years	**6,060**	4,885
Total deferred tax (note 19)	**154,556**	(372,471)
Income tax charge	**673,167**	462,691

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	**3,723,420**	1,793,376
Profit on ordinary activities multiplied by the rate of corporation tax in the UK	**707,450**	345,225
Effects of:		
Other expenses not deductible	**1,726,542**	979,949
Other adjustments	**(1,756,877)**	(625,214)
Adjustment in respect of prior years	**(3,948)**	(237,269)
Total taxation charge	**673,167**	462,691

The prior year adjustment in both years relates to R&D tax credits and tax credits due following the issuing of shares to Roger Teasdale now that a number of his EBITDA milestones have been reached. Included within the other adjustments in 2018 is £1,501,385 (2017: £223,944) relating to share based payments.

Factors affecting current and future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of the Finance Bill 2016 on 7 September 2016. These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred tax at the balance sheet date has been measured using these enacted rates and reflected in these financial statements.

10. EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2018 was based on the profit attributable to ordinary shareholders of £3,050,253 (year ended 31 December 2017: £1,330,685).

	2018 £	2017 £
Profit for the year attributable to owners of the parent	**3,050,253**	1,330,685
Weighted average number of Ordinary Shares in issue for the basic earnings per share	**110,296,535**	96,809,578
Basic and diluted earnings per share (in pence per share)	**2.77**	1.37

The calculation of adjusted earnings per share for the year ended 31 December 2018 was based on the profit before adjusting items of £13,082,206 (year ended 31 December 2017: £9,417,904).

	2018 £	2017 £
Adjusted earnings	**13,082,206**	9,417,904
Weighted average number of shares	**110,296,535**	96,809,578
Adjusted earnings per share (pence)	**11.86**	9.73

11. INTANGIBLE ASSETS

	Goodwill £	Tender list, customer relationships, software and order book £	Total £
Cost			
At 31 December 2016	**12,462,371**	**775,000**	**13,237,371**
Additions	11,284,263	2,932,900	14,217,163
At 31 December 2017	**23,746,634**	**3,707,900**	**27,454,534**
Additions	8,584,816	6,163,067	14,747,883
At 31 December 2018	**32,331,450**	**9,870,967**	**42,202,417**
Accumulated amortisation			
At 31 December 2016	**264,057**	**607,833**	**871,890**
Charge for the year	–	370,623	370,623
At 31 December 2017	**264,057**	**978,456**	**1,242,513**
Charge for the year	–	829,857	829,857
At 31 December 2018	**264,057**	**1,808,313**	**2,072,370**
Net book amount			
At 31 December 2018	**32,067,393**	**8,062,654**	**40,130,047**
At 31 December 2017	23,482,577	2,729,444	26,212,021

All amortisation charges have been treated as an administrative expense in the income statement.

Goodwill acquired in a business combination is allocated to cash generating units (CGUs) and is tested for impairment on an annual basis by comparing the carrying amount against the discounted cash flow projections of the CGU. CGUs are not larger than the operating segments of the Group.

Notes to the consolidated financial statements continued

11. INTANGIBLE ASSETS continued

Management reviews the business performance based on the type of business. Goodwill is monitored by management at the operating segment level. The following is a summary of the goodwill allocation for each operating segment:

	2018 £	2017 £
Access and Safety	**5,946,855**	5,946,855
Electrical Services	**21,457,405**	14,273,663
Building Access Specialists	**751,487**	751,487
Fire Solutions	**3,911,646**	2,510,572
Total goodwill	**32,067,393**	23,482,577

The recoverable amount has been determined based on the value in use calculations, covering approved budgets and forecasts for the next financial year, followed by an extrapolation of expected cash flows. The key assumptions in the value in use calculations were as follows:

- Pre tax discount rate 12%;
- Sales growth was based on internal forecasts and a terminal growth rate of 2%; and
- Gross margins were projected based on recent trends.

The Directors believe that there are no reasonably possible changes to a key assumption which would give rise to an impairment charge.

12. PROPERTY, PLANT AND EQUIPMENT

	Freehold £	Leasehold £	Motor vehicles £	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost						
At 31 December 2016	**250,000**	**74,717**	**3,944,198**	**721,026**	**1,225,974**	**6,215,915**
Acquisitions	1,007,316	13,757	1,068,678	235,586	232,428	2,557,765
Additions	–	108,222	1,260,226	190,035	475,374	2,033,857
Disposals	(250,000)	–	(894,966)	(60,217)	(18,511)	(1,223,694)
At 31 December 2017	**1,007,316**	**196,696**	**5,378,136**	**1,086,430**	**1,915,265**	**9,583,843**
Acquisitions	–	60,010	–	244,877	237,898	542,785
Additions	–	35,189	3,443,936	280,065	429,004	4,188,194
Disposals	(1,007,316)	–	(821,757)	(1,925)	(900)	(1,831,898)
At 31 December 2018	**–**	**291,895**	**8,000,315**	**1,609,447**	**2,581,267**	**12,482,924**
Accumulated depreciation						
At 31 December 2016	**–**	**56,193**	**1,800,450**	**458,388**	**705,004**	**3,020,035**
Acquisitions	369,907	8,085	768,527	152,581	188,006	1,487,106
Charge for the year	–	3,202	1,462,740	113,790	103,901	1,683,633
On disposals	–	–	(822,347)	(60,217)	(34,425)	(916,989)
At 31 December 2017	**369,907**	**67,480**	**3,209,370**	**664,542**	**962,486**	**5,273,785**
Acquisitions	–	40,071	–	172,724	175,785	388,580
Charge for the year	6,296	9,853	1,882,509	188,491	150,382	2,237,531
On disposals	(376,203)	–	(683,367)	(1,925)	(900)	(1,062,395)
At 31 December 2018	**–**	**117,404**	**4,408,512**	**1,023,832**	**1,287,753**	**6,837,501**
Net book amount						
At 31 December 2018	**–**	**174,491**	**3,591,803**	**585,615**	**1,293,514**	**5,645,423**
At 31 December 2017	637,409	129,216	2,168,766	421,888	952,779	4,310,058

Finance lease commitments

Included in motor vehicles are assets held under finance leases with a net book value of £3,591,803 (2017: £2,168,766) and accumulated depreciation of £4,408,512 (2017: £3,209,370).

13. SHARE-BASED PAYMENT

1. As at 31 December 2017 there are options outstanding over up to 10,000 E shares. The E Shares have limited rights to a return of capital but a right to share in the proceeds of sale upon the sale of the entire issued share capital of PTSG or if a general offer is successfully made for the Ordinary Shares in the capital of PTSG within a 10 year period from 2 June 2014. In such an event the holders of the E Shares are entitled in aggregate to receive a sum equal to the profit on ordinary activities before taxation of PTSG Access and Safety Ltd as shown in the statutory accounts of PTSG Access and Safety Ltd for the financial period ending prior to the date of sale, subject to a limit of 10% of the proceeds of such a sale.

The above have been considered in accordance with IFRS 2, however as the Directors consider it unlikely that there will be a sale of the Company within the relevant timeframe, there is no material charge to be reflected in the financial statements for the current year and no further disclosures have been made.

2. Under the terms of his service agreement, the Company shall issue to Roger Teasdale (for nil or nominal consideration) additional equity calculated by reference to the then issued share capital of the Company when the following milestone targets are met in any given financial year on the first occasion only:

Adjusted EBITDA (Statutory accounts)	£8m	£10m	£12m	£14m
	2.5%	2.5%	2.5%	2.5%

The Directors have reviewed the above and the last of these milestones was met at the end of 2018. The Directors have fair valued the equity instruments, with the fair value being expensed so as to spread the expected charge over the period to vesting. The charge to the income statement for the year ended 31 December 2018 was £1,302,498 plus £179,745 of National Insurance making a total of £1,482,243 (2017: £2,444,433 plus £554,380 of National Insurance making a total of £2,998,813), for the final milestone payment, plus an additional £874,791 of employer's National Insurance from the previous awards that were settled in 2018.

3. In accordance with the Sale and Purchase Agreement relating to the acquisition of Pendrich Height Services , £100,000 of the deferred consideration was satisfied by the issue of 53,333 Ordinary Shares at 187.5p per share.

4. In accordance with the Sale and Purchase Agreement relating to the acquisition of Brooke Edgely Specialist Technical Services, the deferred consideration of £1,323,347 was satisfied by the issue of 687,452 Ordinary Shares at 192.5p per share.

14. INVENTORIES

	2018 **£**	2017 £
Finished goods	**1,370,306**	1,219,165

15. TRADE AND OTHER RECEIVABLES

	2018 **£**	2017 £
Amounts falling due within one year:		
Trade receivables	**26,570,543**	21,160,860
Less: provision for impairment of trade receivables	**(1,158,213)**	(987,374)
Trade receivables – net	**25,412,330**	20,173,486
Accrued income	**8,421,524**	9,828,040
Other receivables	**1,949,289**	371,000
Prepayments	**3,718,274**	2,158,858
	39,501,417	32,531,384

Trade and other receivables are all due within one year and any fair value difference is not material. Trade receivables are considered past due once they have passed their contracted due date. Trade receivables are reviewed for impairment if they are past due beyond 90 days.

Notes to the consolidated financial statements continued

15. TRADE AND OTHER RECEIVABLES continued

The ageing of the Group's year end receivables net of provisions, is as follows, based on invoice date:

	2018 £	2017 £
Impaired		
Less than 1 year	**187,026**	205,629
Over 1 year	**971,187**	781,745
	1,158,213	987,374
Not impaired		
Less than 120 days	**20,171,916**	14,821,428
Over 120 days and less than 1 year	**2,970,762**	2,932,675
Over 1 year	**2,269,652**	2,419,383
	25,412,330	20,173,486

Balances not impaired over 120 days relate to retentions (2018: £1,300,009) and other amounts that management consider to be recoverable.

Movements on the Group provision for impairment of trade receivables is as follows:

	2018 £	2017 £
At 1 January	**987,374**	587,870
Provision for receivables impairment	**170,839**	399,504
At 31 December	**1,158,213**	987,374

The creation and release of provision for impaired receivables have been included in 'administration expenses' in the income statement.

16. TRADE AND OTHER PAYABLES

	2018 £	2017 £
Trade payables	**4,536,625**	3,783,112
Other tax and social security payable	**3,926,527**	2,937,764
Accruals and other payables	**1,367,816**	2,309,953
	9,830,968	9,030,829

17. BORROWINGS

Book value	2018 £	2017 £
Non-current		
Bank borrowings	**12,000,000**	12,661,742
Finance lease liabilities	**1,275,250**	420,075
Total non-current	**13,275,250**	13,081,817
Current		
Bank borrowing	–	52,167
Finance lease liabilities	**1,123,782**	736,069
Total current	**1,123,782**	788,236
	14,399,032	13,870,053

The bank borrowings reflect the amount drawn down from the five year £12,000,000 Revolving Credit Facility, which expires on 30 September 2020. The Revolving Credit Facility has an interest rate of LIBOR + 2.75%, for the first year, and has a bullet repayment at the end of the five year period.

The Revolving Credit Facility is subject to bank covenants covering Debt Service Coverage, Interest Cover and Leverage. Covenants are tested quarterly on 31 March, 30 June, 30 September and 31 December.

17. BORROWINGS continued

The carrying amounts and fair value of the non-current borrowings are as follows:

	2018		2017	
	Carrying amount £	**Fair value £**	Carrying amount £	Fair value £
Bank borrowings	**12,000,000**	**12,000,000**	12,661,742	12,661,742
Finance lease liabilities	**1,275,250**	**1,275,250**	420,075	420,075
	13,275,250	**13,275,250**	13,081,817	13,081,817

The fair value of current and non-current borrowings equals their carrying amount. These are stated at their undiscounted amount.

Borrowings have the following maturity profile:

	2018 £	2017 £
Less than 12 months	**1,123,782**	788,236
1-5 years	**13,275,250**	13,081,817
	14,399,032	13,870,053

The bank borrowings are secured by a fixed and floating charge over the assets of the Group. The finance leases have the assets leased as security.

18. DEFERRED CONSIDERATION AND LOAN NOTES

Deferred consideration	**2018 £**	2017 £
Current	**1,935,679**	1,335,432
Non-current	**677,000**	–
	2,612,679	1,335,432

Deferred consideration/contingent amounts payable in respect of acquisitions can depend in part upon the achievement of a number of financial and non-financial performance measures specified in the purchase agreements and in part subject to the continued employment of the vendor. Where payment is linked to the continued employment of the vendor, the arrangement to pay these additional amounts is accounted for separately to the business combination as remuneration and the benefit payable is built up over the period of service. Certain payments may be settled in cash or shares at the discretion of the Group.

In respect of Pendrich Height Services and Brooke Edgely Specialist Technical Services part of the deferred consideration was satisfied by the issue of Ordinary Shares as detailed in note 13.

Analysis of deferred consideration	£
As at 31 December 2017	**1,335,432**
Settled in cash	(1,772,054)
Settled in equity	(1,423,000)
Charge in income statement	5,795,301
Credit to retained earnings	(1,323,000)
As at 31 December 2018	**2,612,679**

Loan notes	**2018 £**	2017 £
Current	**1,680,000**	1,896,000
Non-current	**1,060,881**	771,563
	2,740,881	2,667,563

The loan notes were issued on 1 October 2015 as part of the consideration for the acquisition of Integral Cradles Ltd ("Integral") and carry a zero coupon. They are redeemable in full following the agreement of the accounts of Integral for the period ended 30 September 2020 with an interim redemption date following agreement of the accounts for the period ended 30 September 2018.

Notes to the consolidated financial statements continued

19. DEFERRED TAX

	£
As at 1 January 2017	**417,336**
Credit to statement of comprehensive income	377,356
Credit to equity	1,363,109
Arising on acquisition	(585,305)
Adjustment in respect of prior years	(4,885)
As at 31 December 2017	**1,567,611**
As at 1 January 2018	**1,567,611**
Charge to statement of comprehensive income	(148,496)
Charge to equity	(1,032,697)
Arising on acquisition	(1,197,474)
Adjustment in respect of prior years	(6,060)
As at 31 December 2018	**(817,116)**

Deferred tax is disclosed as a non-current liability in the Consolidated balance sheet.

Short term timing differences account for (£708,771) (2017: £1,662,562) of the deferred tax amount. The balance comprises accelerated capital allowances of (£108,345) (2017: £94,951).

20. CALLED UP SHARE CAPITAL

	2018 **£**	2017 £
Allotted, called up and fully paid		
123,186,942 (2017: 104,521,660) Ordinary Shares of 1p each	**1,231,869**	1,045,217
	1,231,869	1,045,217

On 18 June 2018 5,226,083 Ordinary Shares were issued to Roger Teasdale, at 52p, as part of his service agreement detailed in note 13.

On 11 July 2018 687,452 Ordinary Shares were issued at £1.925 as payment of deferred consideration on the Brooke Edgley (Industrial Chimneys) Ltd.

On 5 September 2018 53,333 Ordinary Shares were issued at £1.875 as payment of deferred consideration on Pendrich Height Services Ltd.

On 18 October 2018 12,698,414 shares were issued at £1.575 as the equity raise to cover the acquisition of Guardian Electrical Compliance Ltd.

The issued ordinary share capital of the Company as at the date of this document, is 123,186,942 Ordinary Shares of one penny each. All such shares are fully paid.

21. RESERVES

The following describes the nature and purpose of each reserve within shareholders' equity:

Retained earnings
Cumulative net gains and losses recognised in the Group statement of comprehensive income.

Capital redemption reserve
Following the purchase of own shares during 2013, the nominal value of the shares purchased was transferred to a capital redemption reserve.

Share premium
The excess of the share price received over the nominal value, for shares issued during the year, was transferred to the share premium account and amounted to £23,123,374

22. DIVIDENDS

In the year, dividends of 1.7p per ordinary share (2017: 1.5p) were paid.

	2018 Pence per share	2017 Pence per share	2018 £	2017 £
Final dividends paid	**0.80**	0.70	**877,982**	640,579
Interim dividends paid	**0.90**	0.80	**994,397**	836,173
	1.70	1.50	**1,872,379**	1,476,752

23. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

The Group holds property and vehicle leases under non-cancellable operating lease agreements. The lease terms are between one and 15 years.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Within 1 year	**851,323**	389,219
Later than 1 year and less than 5 years	**2,463,902**	1,406,007
After 5 years	**3,317,791**	1,954,750
	6,633,016	3,749,976

(b) Contingencies

The Company and its subsidiaries have given unlimited multilateral company guarantees on their respective bank facilities.

24. FINANCIAL INSTRUMENTS – RISK MANAGEMENT

Financial risk management

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Risk management is carried out by the Board of Directors.

(a) Market risk

Interest rate risk

The Group's interest rate risk arises from the Group's borrowings as disclosed in note 17.

The Group has not entered into an interest rate swap to mitigate the variable interest rate risk.

At 31 December 2018, if the LIBOR denominated borrowings at that date had been 0.5% higher/lower with all other variables held constant, post-tax profit for the year would have been £60,000 (2017: £53,300) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group monitor credit risk closely and consider that its current policies meet its objectives of managing,g exposure to risk. The Group has no significant concentration of credit risk. Management believe that there is no further credit risk provision required in excess of the provisions for doubtful receivables.

(c) Liquidity risk

Liquidity risk is managed on a day to day basis. Facilities are agreed at appropriate levels having regard to the Group's forecast operating cash flows and future capital expenditures.

(d) Capital risk management

The aim of the Group is to maintain sufficient funds to enable it to make suitable investments and incremental acquisitions whilst minimising recourse to bankers and/or shareholders. The Group currently has overdraft facilities in place of £10m all of which was undrawn at the year end (2017: £2.3m).

Leverage is monitored in accordance with the requirements of the Revolving Credit Facility covenants, which was taken out in 2015.

Notes to the consolidated financial statements continued

25. BUSINESS ACQUISITIONS

The Group carried out two acquisitions during the year. The details associated with each acquisition are set out below. Goodwill recognised represents the premium attributable to these well-positioned businesses with a skilled workforce, established reputation and synergies and cross selling opportunities that arise as being part of the Group.

M&P Fire Protection Ltd

On 5 July 2018, 100% of the ordinary share capital of M&P Fire Protection Limited was purchased for a total cash consideration of £1.1m. This acquisition has been accounted for in the consolidated financial statements by the acquisition method of accounting.

M&P Fire Protection Ltd undertakes the design, installation and maintenance of dry risers and sprinklers and strengthens the Group's established and growing position in the fire protections market sector.

The turnover and operating profit of M&P Fire Protection Limited for the period from the date of acquisition to 31 December 2018 included in the consolidated financial statements was £1,885,630 and £470,493 respectively.

The table below explains the adjustments made to the book values of the major categories of assets and liabilities in arriving at fair values:

	Book value £	Fair value adjustment £	Fair value at date of acquisition £
Fixed assets			
Tangible assets	3,755	–	3,755
Current assets			
Stock	–	–	–
Debtors	541,359	–	541,359
Cash	195,585	–	195,585
Total assets	**740,699**	**–**	**740,699**
Liabilities			
Trade creditors	383,770	–	383,770
Other creditors	702,716	–	702,716
Total liabilities	**1,086,486**	**–**	**1,086,476**
Net liabilities	**(345,787)**	**–**	**(345,787)**
Cash consideration			**1,055,287**
Goodwill			**1,401,074**
Cash paid to gain control net of cash acquired			**859,702**

There are twenty fixed deferred payments of £25,788 payable quarterly and a maximum contingent deferred consideration of £3,322,500 payable over five years, subject to the business achieving stretching and escalating milestone profitability targets in each of those periods based on continuing employment and accounted for as employment costs.

25. BUSINESS ACQUISITIONS continued

Guardian Electrical Compliance Ltd

On 15 October 2018, 100% of the ordinary share capital of Guardian Electrical Compliance Ltd was purchased for a total cash consideration of £13.1m. This acquisition has been accounted for in the consolidated financial statements by the acquisition method of accounting.

Guardian Electrical Compliance Ltd is a national electrical testing and compliance business based in Sheffield. The acquisition is wholly aligned with our stated strategy of continuing to increase revenues from compliance related services.

The turnover and operating profit of Guardian Electrical Compliance Ltd for the period from the date of acquisition to 31 December 2018 included in the consolidated financial statements was £3,141,227 and £1,117,417 respectively.

The table below explains the adjustments made to the book values of the major categories of assets and liabilities in arriving at fair values:

	Book value £	Fair value adjustment £	Fair value at date of acquisition £
Fixed assets			
Tangible assets	150,450	–	150,450
Intangible assets	–	6,163,067	6,163,067
Current assets			
Stock	91,168	–	91,168
Debtors	1,842,466	–	1,842,466
Cash	2,099,058	–	2,099,058
Total assets	**4,183,142**	**6,163,067**	**10,346,209**
Liabilities			
Trade creditors	154,340	–	154,340
Other creditors	3,105,940	1,170,983	4,276,923
Total liabilities	**3,260,280**	**1,170,983**	**4,431,263**
Net assets	**922,862**	**4,992,084**	**5,914,946**
Cash consideration			**13,098,738**
Goodwill			**7,183,792**
Cash paid to gain control net of cash acquired			**10,999,680**

The fair value adjustment shown above represents the recognition of an intangible asset in relation to customer relationships and software and associated tax balance.

There is a maximum contingent deferred consideration of £4,000,000 payable over three years, subject to the business achieving stretching and escalating milestone profitability targets in each of those periods based on continuing employment and accounted for as employment costs.

Notes to the consolidated financial statements continued

26. RELATED PARTY TRANSACTIONS

Key management compensation is given in note 5.

Other related party transactions with the Company are as follows:

Market rent of £462,912 (2017: £332,691) was paid in the year to Ensco 835 Limited. Paul Teasdale and John Foley are directors of Ensco 835 Limited.

During the year Ensco 835 Limited acquired a freehold property from the Group at fair value. The fair value was determined upon the acquisition of Brooke Edgley (Industrial Chimneys) Limited.

No other transactions with related parties were undertaken such as are required to be disclosed.

Details of share arrangements with Roger Teasdale are given in note 13.

At the year end there were five interest-free loans outstanding repayable on demand to key personnel of £514,538 (2017: £425,000).

A full list of subsidiaries are detailed on page 79.

27. POST BALANCE SHEET EVENTS

During the year ended 31 December 2018, PTSG provided consultancy services to Trinity Fire and Security Systems Limited which was subsequently acquired in a separate transaction and is now a subsidiary of the Group. On 21 January 2019 the Company acquired Trinity Fire and Security Systems Protection Ltd, a well-established, high quality specialist in the testing, maintenance and installation of fire and security systems, based in Exeter, with 10 offices throughout the UK. Initial consideration was a cash payment of £10.8m with deferred consideration of up to £5.0m payable over two years, subject to Trinity achieving stretching and escalating milestone profitability targets which are self-financing in each of those periods. The deferred consideration can be paid in cash or shares at the option of PTSG.

In March 2019 the group refinanced its banking facilities with HSBC.

28. SUBSIDIARY GUARANTEE OF AUDIT EXEMPTION

The following subsidiaries are exempt from the requirements of the Act relating to the audit of accounts under section 479A of the Companies Act 2006 as the parent company Premier Technical Services Group PLC, has guaranteed all outstanding liabilities to which the subsidiary company is subject at 31 December 2018 until they are satisfied in full.

Access Contracting Limited, a company registered in England and Wales, is a wholly owned subsidiary of PTSG Access and Safety Limited.

Test Strike UK Limited, J W Gray Lightning Protection Limited, R Langston Jones & Company Limited, Nimbus Lightning Protection Limited, Brooke Edgley (Industrial Chimneys) Limited, UK Dry Risers Limited, UK Dry Risers (Maintenance) Limited, M&P Fire Protection Limited, companies registered in England and Wales and NATHS Limited, Pendrich Height Services Limited, companies registered in Scotland, are wholly owned subsidiaries of PTSG Electrical Services Limited.

Acescott Specialist Services Limited, a company registered in England and Wales, is a wholly owned subsidiary of Premier Technical Services Group PLC.

Independent auditors' report
to the members of Premier Technical Services Group Plc

REPORT ON THE AUDIT OF THE COMPANY FINANCIAL STATEMENTS

Opinion

In our opinion, Premier Technical Services Group PLC's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2018;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Accounts 2018 (the "Annual Report"), which comprise: the company balance sheet as at 31 December 2018; and the company statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Materiality	• Overall materiality: £608,000 (2017: £227,000), based on 1% of total assets.
Audit scope	• We performed full scope audit procedures over Premier Technical Services Group PLC (the parent company of the group).
Key audit matters	• We have no key audit matters to report.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We determined that there were no key audit matters applicable to the company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which it operates.

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates, and considered the risk of acts by the company which were contrary to applicable laws and regulations, including fraud. We designed audit procedures to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. We focused on laws and regulations that could give rise to material misstatement in the company's financial statements, including, but not limited to, the risk of non-compliance related to financial conduct. Our tests included, but were not limited to, review of legal correspondence and discussion with managements experts. These are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all our audits we also addressed the risk of management override of internal controls, including testing journals and evaluating whether there were evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Independent auditors' report
to the members of Premier Technical Services Group Plc continued

Materiality
The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£608,000 (2017: £227,000).
How we determined it	1% of total assets.
Rationale for benchmark applied	The key objective of the parent company is to hold investments in the various group companies. As a result, we believe total assets is the primary measure used by the shareholders in assessing the performance of the parent company and is therefore the appropriate benchmark to use in setting materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £30,400 (2017: £11,300) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern
ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

Reporting on other information
The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 43, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

OTHER MATTER

We have reported separately on the group financial statements of Premier Technical Services Group PLC for the year ended 31 December 2018.

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

26 March 2019

Company balance sheet
as at 31 December 2018

	Note	2018 £	2017 £
Fixed assets			
Investments	2	**18,581,740**	14,464,154
Current assets			
Debtors	3	**42,260,651**	29,262,696
Creditors – amounts falling due within one year	4	**(3,179,203)**	(5,331,134)
Net current assets		**39,081,448**	23,931,562
Total assets less current liabilities		**57,663,188**	38,395,716
Creditors – amounts falling due after one year	5	**(13,060,882)**	(14,792,563)
Net assets		**44,602,306**	23,603,153
Capital and reserves			
Called up share capital	6	**1,231,869**	1,045,217
Capital redemption reserve		**128,573**	128,573
Share premium account		**40,478,359**	17,354,985
Profit and loss account			
As at 1 January		**5,074,378**	4,748,918
Loss for the year attributable to owners		**(415,512)**	(404,591)
Other changes in retained earnings		**(1,895,361)**	730,051
	7	**2,763,505**	5,074,378
Total shareholders' funds	8	**44,602,306**	23,603,153

The financial statements on pages 76 to 81 were approved by the Board of Directors on 26 March 2019 and were signed on its behalf by:

Paul Teasdale
Chief Executive Officer

Registered number: 06005074

Company statement of changes in equity
for the year ended 31 December 2018

	Share capital £	Capital redemption reserve £	Share Premium Account £	Retained earnings £	Total £
	Attributable to owners of the parent				
Balance at 31 December 2016	**884,025**	**128,573**	**548,418**	**4,748,918**	**6,309,934**
Loss for the year	–	–	–	(404,591)	(404,591)
Total comprehensive expense	**–**	**–**	**–**	**(404,591)**	**(404,591)**
Transactions with owners					
Issue of share capital	161,192	–	16,806,567	(1,160,631)	15,807,128
Share based payments in subsidiaries	–	–	–	3,367,434	3,367,434
Ordinary dividends paid	–	–	–	(1,476,752)	(1,476,752)
Transactions with owners	**161,192**	**–**	**16,806,567**	**730,051**	**17,697,810**
Balance at 31 December 2017	**1,045,217**	**128,573**	**17,354,985**	**5,074,378**	**23,603,153**
Loss for the year	–	–	–	(415,512)	(415,512)
Total comprehensive expense	**–**	**–**	**–**	**(415,512)**	**(415,512)**
Transactions with owners					
Issue of share capital	186,652	–	23,123,374	(4,140,565)	19,169,461
Share based payments in subsidiaries	–	–	–	4,117,583	4,117,583
Ordinary dividends paid	–	–	–	(1,872,379)	(1,872,379)
Transactions with owners	**186,652**	**–**	**23,123,374**	**(1,895,361)**	**21,414,665**
Balance at 31 December 2018	**1,231,869**	**128,573**	**40,478,359**	**2,763,505**	**44,602,306**

The notes on pages 78 to 81 are an integral part of these financial statements.

Notes to the financial statements

1. ACCOUNTING POLICIES

The financial statements for the year ended 31 December 2018 have been prepared in accordance with FRS 101 on the going concern basis and in accordance with the Companies Act 2006 as applicable to companies using FRS 101.

The accounts are prepared under the historical cost convention.

FRS 101 sets out a reduced disclosure framework for a qualifying entity that would otherwise apply the recognition, measurement and disclosure requirement of EU-adopted IFRS. The Company is a qualifying entity for the purposes of FRS 101. Included within this document are the Group consolidated financial statements prepared in accordance with IFRS. FRS 101 allows that the balance sheet is presented in the format requirements of the Companies Act 2006, rather than the requirements of International Accounting Standard ("IAS") 1 Presentation of Financial Statements.

A summary of the disclosure exemptions adopted for the year ended 31 December 2018 is presented below.

Area	Disclosure Exemption
Cash flow statements	Complete exemption from preparing a cash flow statement (IAS 7).
Related party disclosures	Exemption for related party transactions entered into between two or members of a group, provided that any subsidiary which is party to a transaction is wholly owned by such a member.
Comparative information	Exemption from comparative disclosure for movements on share capital, tangibles and intangibles.
Presentation of financial statements	Exemption from statement of compliance with IFRS, cash flow information.
Financial instruments	The requirements of IFRS 7, "Financial instruments": Disclosures, as equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.
Fair value measurement	Paragraphs 91 to 99 of IFRS 13, "Fair value measurement" as equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.

The Company is a public limited company limited by shares and, domiciled and incorporated in the United Kingdom and under the Companies Act 2006.

Investment in subsidiary undertakings

Investments in subsidiary undertakings are recorded at cost plus incidental expenses less any provision for impairment.

Critical accounting estimates and assumptions

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about the carrying value of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and any revisions to them are recognised in the period in which they are revised.

The Directors consider that the estimates and judgements relating to the carrying value of investments and share based payments are likely to have the most significant effect on the amounts recognised in the financial statement as detailed in notes 2 and 8 respectively.

2. INVESTMENTS

	£
Cost:	
At 1 January 2017	9,836,720
Additions	4,627,434
At 31 December 2017	**14,464,154**
Additions	4,117,586
Net book value:	
At 31 December 2018	**18,581,740**
At 31 December 2017	14,464,154

The additions relate to capital contributions for share based payments.

2. INVESTMENTS continued

The subsidiary undertakings at 31 December 2018 were:

Name	Nature of Business	Ordinary voting Shares held
Access Contracting Ltd	Installation and maintenance of access and safety systems	100%*
PTSG Access and Safety Ltd	Installation and maintenance of access and safety systems	100%
Integral Cradles Ltd	Cradle Installation	100%
Brooke Edgley Specialist Technical Services Ltd	Installation and maintenance of lightning protection systems	100%*
Nimbus Lightning Protection Ltd	Installation and maintenance of lightning protection systems	100%*
PTSG Electrical Services Ltd	Installation and maintenance of lightning protection systems	100%
J W Gray Lightning Protection Ltd	Installation and maintenance of lightning protection systems	100%*
Test Strike UK Ltd	Maintenance of lightning protection systems	100%
R Langston Jones & Company Ltd	Portable appliance and fixed wire testing	100%*
Acescott Specialist Services Ltd	High level cleaning	100%*
Pendrich Height Services Ltd	Steeplejack Services	100%*[1]
NATHS Ltd	Steeplejack Services	100%*[1]
UK Dry Risers Ltd	Installation of dry riser systems	100%*
UK Dry Risers Maintenance Ltd	Maintenance of dry riser systems	100%*
UK Sprinklers Ltd	Installation and maintenance of sprinkler systems	100%*
M&P Fire Protection Ltd	Installation and maintenance of dry riser and sprinkler systems	100%*
Guardian Electrical Compliance Ltd	Portable appliance and fixed wire testing	100%*
Brooke Edgley (Industrial Chimneys) Ltd	Intermediary Holding Company	100%*
NAP Height Services Ltd	Intermediary holding company	100%*[1]
PTSG Electrical Testing Services Limited	Intermediary Holding company	100%
Access Training Solutions Ltd	Dormant	100%
Acescott Management Services Ltd	Dormant	100%*
Apex Steeplejacks Ltd	Dormant	100%*[1]
Cardinal Specialist Services Ltd	Dormant	100%*
CJS (Eastern) Ltd	Dormant	100%*
Fall Arrest Services Ltd	Dormant	100%*
Guardian Cradle Maintenance Ltd	Dormant	100%*
Integral Cleaning Ltd	Dormant	100%*
Integral Cradles Group Ltd	Dormant	100%
Kobi Ltd	Dormant	100%*
Lightning Protection Testing Ltd	Dormant	100%*
National Cradle Maintenance Ltd	Dormant	100%*
Ohmega Testing Services Ltd	Dormant	100%
Pendrich Rope Access Ltd	Dormant	100%*[1]
Protectis Ltd	Dormant	100%*
PTSG Building Access Specialists Ltd	Dormant	100%
PTSG Fire Solutions Ltd	Dormant	100%
PTSG High Level Cleaning Ltd	Dormant	100%
PTSG Ltd	Dormant	100%*
PTSG Management Services Ltd	Dormant	100%
PTSG Specialist M & E Ltd.	Dormant	100%
PTSG Steeplejacking Ltd	Dormant	100%
PTSG Steeplejacks Ltd	Dormant	100%
PTSG Training Solutions Ltd	Dormant	100%
Thor Lightning Protection Ltd	Dormant	100%*
M&P Dry Risers Ltd	Dormant	100%*

* held by a subsidiary undertaking.

All subsidiaries have their registered office at 13 Flemming Court, Whistler Drive, Castleford WF10 5HW apart from those marked 1 whose registered office is 78-82 Carnethie St, Rosewell EH24 9AW.

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Notes to the financial statements continued

3. DEBTORS

	2018 £	2017 £
Amounts owed by group undertakings	**41,597,299**	28,492,539
Prepayments	**663,352**	770,157
	42,260,651	29,262,696

Amounts owed by group undertakings are unsecured, interest free and payable on demand. Having considered the requirement of IFRS 9, there is no provision required against these intercompany receivables.

4. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2017 £
Overdrafts	**1,420,252**	5,279,784
Amounts owed to group undertakings	**7,150**	7,150
Loan note	**1,680,000**	–
Accruals	**71,801**	44,200
	3,179,203	5,331,134

The bank overdraft is secured by an unlimited multilateral Company guarantee given by this Company and other members of the Group to secure all liabilities of each other.

Amounts owed to group undertakings are unsecured, interest free and payable on demand.

5. CREDITORS – AMOUNTS FALLING DUE AFTER ONE YEAR

	2018 £	2017 £
Loan notes	**1,060,882**	2,667,563
Bank loan	**12,000,000**	12,000,000
Other creditors	**–**	125,000
	13,060,882	14,792,563

The bank borrowings reflect the amount drawn down from the £12,000,000 Revolving Credit Facility, which expires on 30 September 2020. This facility has an interest rate between 2% and 2.75%, depending upon the amount drawn down, and has a bullet repayment at the end of the five year period.

The Revolving Credit Facility is subject to bank covenants covering Debt Service Coverage, Interest Cover and Leverage. Covenants are tested quarterly on 31 March, 30 June, 30 September and 31 December.

The loan notes were issued on 1 October 2015 as part of the consideration for the acquisition of Integral Cradles Ltd ("Integral") and carry a zero coupon. They are redeemable in full following the agreement of the accounts of Integral for the period ended 30 September 2020 with an interim redemption date following agreement of the accounts for the period ended 30 September 2018.

Contingencies
An unlimited multilateral Company guarantee given by this Company and other members of the Group to secure all liabilities of each other.

6. CALLED UP SHARE CAPITAL

	2018 £	2017 £
Allotted and fully paid		
123,186,942 (2017: 104,521,660) Ordinary Shares of 1p each	**1,231,872**	1,045,217
	1,231,339	1,045,217

Details of shares issued can be found on page 68.

7. PROFIT AND LOSS ACCOUNT

	£
Balance as at 1 January 2018	5,074,378
Loss for the financial year	(415,512)
Share based payments in subsidiaries	(22,982)
Equity dividends	(1,872,379)
Balance as at 31 December 2018	**2,763,505**

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss in these financial statements. The parent company's loss for the year was £415,512 (2017: loss of £404,594). The audit fee in respect of the Company was £2,070 (2017: £2,000). Directors' remuneration and details on dividends are detailed in notes 5 and 22 of the Consolidated Financial Statements.

8. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2018 £	2017 £
Loss for the financial year	**(415,512)**	(404,591)
Shares issued	**19,169,461**	15,807,128
Share based payments in subsidiaries	**4,117,583**	3,367,434
Equity dividends	**(1,872,379)**	(1,476,752)
Net addition to shareholders' funds	**20,999,153**	17,293,219
Opening shareholders' funds as at 1 January	**23,603,153**	6,309,934
Closing shareholders' funds as at 31 December	**44,602,306**	23,603,153

Share based payments

1. As at 31 December 2018 there are options outstanding over up to 10,000 E shares. The E Shares have limited rights to a return of capital but a right to share in the proceeds of sale upon the sale of the entire issued share capital of PTSG or if a general offer is successfully made for the Ordinary Shares in the capital of PTSG within a 10 year period from 2 June 2014. In such an event the holders of the E Shares are entitled in aggregate to receive a sum equal to the profit on ordinary activities before taxation of PTSG Access and Safety Ltd as shown in the statutory accounts of PTSG Access and Safety Ltd for the financial period ending prior to the date of sale, subject to a limit of 10% of the proceeds of such a sale.

The above have been considered in accordance with IFRS 2, however as the Directors consider it unlikely that there will be a sale of the Company within the relevant timeframe, there is no material charge to be reflected in the financial statements for the current year and no further disclosures have been made.

2. In addition to the above, under the terms of his service agreement, the Company shall issue to Roger Teasdale (for nil or nominal consideration) additional equity calculated by reference to the then issued share capital of the Company when the following milestone targets are met in any given financial year on the first occasion only:

Adjusted EBITDA (Statutory accounts)	£8m	£10m	£12m	£14m
Additional equity to be issued	2.5%	2.5%	2.5%	2.5%

The Directors have reviewed the above and the Company hit the final of these milestones at the end of 2018. The Directors have fair valued the equity instruments, with the fair value being expensed so as to spread the expected charge over the period to vesting. The charge to the income statement of PTSG Access & Safety Ltd for the year ended 31 December 2018 was £1,301,805 plus £179,649 of National Insurance making a total of £1,481,454 (2017: £2,444,433 plus £554,380 of National Insurance making a total of £2,998,813). This has been treated in the financial statements of the Company as a capital contribution to PTSG Access & Safety Ltd.