

# **Manrose Manufacturing Limited**

## **Report and Financial Statements**

31 July 2016



**Directors**

R A George

I Dew

**Auditor**

Ernst & Young LLP

1 More London Place

London SE1 2AF

**Registered Office**

Fleming Way

Crawley

West Sussex

RH10 9YX

## Strategic report

The directors of Manrose Manufacturing Limited ('the Company') present their strategic report for the year ended 31 July 2016.

### Principal activity and review of the business

The principal activity of the Company continues to be the design, manufacture and distribution of ventilation equipment.

The profit for the year, after taxation, is £5,941,000 (2015: £6,859,000).

The Company's key financial and other performance indicators during the year were as follows:

	2016 £000	2015 £000	Change %
Turnover	28,549	29,174	(2.1)
Operating profit	7,202	7,846	(8.2)
EBITDA	7,458	8,117	(8.1)
Average number of employees	289	253	14.2

During the year, the Company's turnover decreased by £625,000 following strong performance in the export and commercial market sectors, but larger declines in residential refurbishment in the UK. The decrease in turnover has led to an overall decrease in EBITDA and operating profit margins. In May 2016 the Company successfully implemented a new ERP system.

### Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the Company to be broadly grouped as economic, exchange rate and financial instrument related. These risks are explained further below:

#### Economic risk

In the UK, demand for the Company's products is influenced by both public and privately funded new and refurbishment construction projects. The UK construction market is in turn heavily influenced by prevailing macro-economic conditions and relevant UK and European legislation particularly with regards to air quality and energy efficiency. The Company reviews its cost base and organisational structure on a regular basis.

#### Exchange rate risk

Fluctuations in the exchange rate of sterling with other major currencies will impact both the turnover stream and purchase cost of some of the Company's products. The Company benchmarks turnovers and direct expenditure denominated in foreign currency on a regular basis.

#### Financial instrument risk

The Company principally engages in short term working capital (trade debtors, trade creditors and cash).

The directors do not consider the book value of financial instruments to materially differ from their fair values.

The directors' understanding of and the Company's exposure to risk as a result of using financial instruments is as follows:

##### ➤ Price risk

Risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The directors consider this risk to relate to foreign exchange. Risk arising on non-derivative financial instruments is mitigated by utilisation of surplus foreign currency within the group of which the Company is a member.

##### ➤ Credit risk

Risk that one party to a financial instrument will fail to discharge their obligation and cause the other party to incur a financial loss. With regard to non-derivative financial instruments, the directors believe credit risk principally relates to trade debtors. To mitigate against exposure to credit risk the Company has developed strong credit control procedures, internal control mechanisms and has entered into a credit insurance policy.

## Strategic report (continued)

### Principal risks and uncertainties (continued)

#### Financial instrument risk (continued)

➤ **Liquidity risk**

Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations under financial instruments. Cash flow is regularly monitored using weekly and monthly reporting, in addition the Company undertakes quarterly reforecast updates against the annual budget.

On behalf of the Board



Ian Dew  
Director  
21 December 2016

## Directors' report

The directors of Manrose Manufacturing Limited ('the Company') present their report and financial statements for the year ended 31 July 2016.

### Directors

The directors who served the Company during the year and subsequent to the year-end are set-out on page 1.

### Dividends

The Company paid an interim dividend of £5,250,000 (2015 - £2,350,000). The directors do not recommend the payment of a final dividend (2015 – £nil).

### Future developments

The Company will continue to develop its existing activities and seek expansion opportunities to increase profitability, both organically and by acquisition.

### Financial instruments

The directors' understanding of, and the Company's exposure to risk as a result of using financial instruments is set out in the strategic report.

### Research and development

The Company carries out research and development programmes to suit its particular market, product and customer needs.

### Disabled employees and employee involvement

A skilled workforce is key to the future of the Company. Health and Safety matters are reviewed regularly by the directors and it is our policy to ensure that:

- Full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
- If an existing employee becomes disabled (whether from illness or accident) every reasonable effort is made to continue to provide employment either in the same job, or by training for a suitable alternative job; and
- Disabled persons are given equal consideration for training, career development and opportunities for promotion within the Company.

Management are regularly provided with a range of information concerning the performance of the business by means of meetings and similar briefings that allows employees' views and opinions to be taken into consideration. Other means of communication are used to ensure employees are systematically provided with information on matters of concern to them.

### Directors' liabilities

The enlarged Group of which the Company is a member has granted an indemnity to certain directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force at the date of approving the directors' report.

### Going concern

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

## **Directors' report (continued)**

### **Disclosure of information to the auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the Company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

### **Re-appointment of auditor**

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed for reappointment of Ernst & Young LLP as auditor of the Company.

On behalf of the Board



Ian Dew  
Chief Financial Officer  
21 December 2016

## Directors' responsibilities statement

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

## **Independent auditors' report to the members of Manrose Manufacturing Limited**

We have audited the financial statements of Manrose Manufacturing Limited for the year ended 31 July 2016, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

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

### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs at 31 July 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



## Independent auditors' report to the members of Manrose Manufacturing Limited (continued)

### Matters on which we are required to report by exception

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

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



Zishan Nurmohamed (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP (Statutory Auditor)  
London  
Date 23/12/2016

## Statement of comprehensive income

For the year ended 31 July 2016

	Notes	2016 £000	2015 £000
<b>Turnover</b>	4	28,549	29,174
Cost of sales		(16,641)	(17,111)
<b>Gross profit</b>		11,908	12,063
Administrative expenses		(4,706)	(4,217)
<b>Operating profit</b>	5	7,202	7,846
Interest receivable and similar income	6	-	282
<b>Profit on ordinary activities before tax</b>		7,202	8,128
Income tax	8	(1,261)	(1,269)
<b>Profit for the year</b>		5,941	6,859
Other comprehensive income		-	-
<b>Total comprehensive income</b>		5,941	6,859

Results for the current and prior years arise solely from continuing operations.

## Statement of financial position

at 31 July 2016

	Notes	2016 £000	2015 £000
<b>Fixed assets</b>			
Tangible assets	9	814	977
Intangible assets	10	6	2
Deferred tax asset	8	51	47
		<u>871</u>	<u>1,026</u>
<b>Current assets</b>			
Stocks	11	2,069	1,959
Trade and other debtors	12	6,798	5,792
Amounts owed by group companies falling due within one year		836	35
Cash at bank and in hand		<u>1,602</u>	<u>1,895</u>
		<u>11,305</u>	<u>9,681</u>
<b>Creditors: amounts falling due within one year</b>			
Trade and other creditors	13	(5,688)	(4,894)
Amounts owed to group companies		(1,267)	(1,306)
Provisions for liabilities	14	<u>(166)</u>	<u>(143)</u>
		<u>(7,121)</u>	<u>(6,343)</u>
<b>Net current assets</b>		<u>4,184</u>	<u>3,338</u>
<b>Total assets less current liabilities</b>		<u>5,055</u>	<u>4,364</u>
<b>Creditors: amounts falling due after one year</b>			
Provisions for liabilities	14	<u>(550)</u>	<u>(550)</u>
<b>Net assets</b>		<u>4,505</u>	<u>3,814</u>
<b>Capital and reserves</b>			
Share capital	15	10	10
Profit and loss account		<u>4,495</u>	<u>3,804</u>
<b>Total equity</b>		<u>4,505</u>	<u>3,814</u>

The financial statements of Manrose Manufacturing Limited (registered number 02197755) were approved by the Board of Directors and authorised for issue on 21 December 2016.

On behalf of the board



Ian Dew  
Chief Financial Officer

## Statement of changes in equity

For the year ended 31 July 2016

	Notes	Share capital £000	Profit and loss account £000	Total £000
<b>At 1 August 2014</b>		10	13,077	13,087
Profit for the year		-	6,859	6,859
Waiver of debt	17	-	(13,782)	(13,782)
Dividend paid	16	-	(2,350)	(2,350)
<b>At 31 July 2015</b>		10	3,804	3,814
Profit for the year		-	5,941	5,941
Dividend paid		-	(5,250)	(5,250)
<b>At 31 July 2016</b>		10	4,495	4,505

## Notes to the financial statements

at 31 July 2016

### 1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements present the results and financial position of Manrose Manufacturing Limited ("the Company") for the year ended 31 July 2016. The Company is a private limited company and is incorporated and domiciled in England and Wales. The address of the Company's registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

The financial statements were authorised for issue by the board of directors on 21 December 2016 and the statement of financial position was signed on the board's behalf by Ian Dew.

The financial statements have been prepared in accordance with FRS 101, under the historical cost convention, except for derivative financial instruments which have been recognised at fair value and in accordance with the Companies Act 2006.

The Company's financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

### 2. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

#### *Basis of preparation*

The financial statements have been prepared in accordance with FRS 101, under the historical cost convention, except for derivative financial instruments which have been recognised at fair value and in accordance with the Companies Act 2006.

The preparation of the financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The requirements of paragraphs 45(b) and 46 to 52 of IFRS 2 'Share-based Payment'
- The requirements of IFRS 7 'Financial Instruments: Disclosures'
- The requirements of paragraphs 91 to 99 of IFRS 13 Fair Value Measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  - paragraph 79(a)(iv) of IAS 1;
  - paragraph 73(e) of IAS 16 Property, Plant and Equipment;
  - paragraph 118(e) of IAS 38 Intangible Assets;
- The requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- The requirements of IAS 7 Statement of Cash Flows.
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- The requirements of paragraph 17 of IAS 24 Related Party Disclosures.
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 Impairment of Assets

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Going concern*

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements. The directors' responsibilities are set out on page 6 and should be read in conjunction with this statement.

#### *Revenue recognition*

Turnover is measured at the fair value of the consideration received or receivable. Turnover is reduced for estimated customer returns, rebates and other similar allowances that are calculated based upon the price of goods, volumes and product mix purchased by the customer. Turnover is stated net of settlement discounts, VAT, other sales taxes and duties.

#### *Sale of goods*

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

- the Company has transferred ownership of the goods when the significant risks and rewards have passed to the buyer, usually on the delivery of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### *Interest receivable and similar income*

Turnover is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

#### *Foreign currencies*

The financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position are expressed in GBP ('£000'), which is also the functional currency of the Company.

In preparing the financial statements transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the statement of comprehensive income.

Non-monetary items that are measured in historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Income taxes*

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or payable to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements with the following exceptions:

- Where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised only to the extent that the directors consider it is probable that there will be taxable profits from which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred income tax assets and liabilities are measured on an undiscounted basis at tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates enacted or substantively enacted by the reporting date.

The carrying amount of deferred income tax assets is reviewed at each reporting date. Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities.

Deferred income tax is charged or credited to other comprehensive income if it relates to items that are charged or credited to other comprehensive income. Similarly, deferred tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

#### *Tangible assets*

Tangible assets are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the tangible asset; when significant parts of tangible assets are required to be replaced at intervals, the Company recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, except freehold land, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Freehold buildings	–	30 - 50 years
Plant and machinery	–	5 - 10 years
Fixtures, fittings, tools, equipment and vehicles	–	4 - 10 years

The gain or loss arising on the disposal or retirement of an item of tangible assets is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as part of administrative expenses.

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Intangible assets*

##### *Research and development costs*

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to reliably measure the expenditure during development.

##### *Subsequent measurement of intangible assets*

Intangible assets with a definite life are amortised on a straight-line basis over their estimated useful lives as follows:

Software costs – 5 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

##### *Impairment of tangible and intangible assets*

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets with definite lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statement of comprehensive income.

#### **Stocks**

Stocks are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted for as follows:

- Raw materials: purchase cost on a first in, first out basis
- Work in progress and finished goods: cost of direct materials and labour and an appropriate portion of fixed and variable overhead expenses based on normal operating capacity, but excluding borrowing costs.

Net realisable value represents the estimated selling price for stocks less all estimated costs of completion and costs necessary to make the sale.

#### **Trade and other debtors**

Trade and other debtors are recognised when it is probable that a future economic benefit will flow to the Company. Trade and other debtors are carried at original invoice or contract amount less any provisions for discounts and doubtful debts. Provisions are made where there is evidence of a risk of non-payment taking into account ageing, previous experience and general economic conditions.

#### **Cash and cash equivalents**

Cash and short-term deposits comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less.



## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Provisions*

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions for the expected costs of maintenance guarantees are charged against profits when products have been invoiced.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

The timing of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are not discounted as the time value of money is not considered material.

#### *Financial assets*

##### *Initial recognition and measurement*

Financial assets within the scope are classified as loans and receivables.

All financial assets are recognised initially at fair value plus directly attributable transaction costs. Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset. The Company's financial assets include cash and short-term deposits, trade and other receivables and receivables due from group undertakings.

##### *Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The company's loans and receivables comprise receivables and cash in the balance sheet.

#### *Financial liabilities*

##### *Initial recognition and measurement*

Financial liabilities within the scope of IAS 39 are classified as loans and borrowings. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

##### *Subsequent measurement*

The measurement of financial liabilities depends on their classification as follows:

##### *Interest bearing loans and borrowings*

Obligations for loans and borrowings are recognised when the Company becomes party to the related contracts and are measured initially at the fair value of consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar expenses.

## Notes to the financial statements (continued)

at 31 July 2016

### 2. Accounting policies (continued)

#### *Financial liabilities (continued)*

##### *Derecognition of financial liabilities*

A liability is generally derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Where 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, such that the difference in the respective carrying amounts together with any costs or fees incurred are recognised in profit or loss.

##### *Creditors*

Creditors are obliged to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

##### *Leasing commitments*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

##### *Pensions*

Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the period they become payable. The cost charged to the statement of comprehensive income of providing retirement pensions for employees represents the amounts paid by the Company to various defined contribution pension schemes operated by the Group in the financial period.

##### *Dividends*

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the directors in the general meeting, and in relation to interim dividends, when paid.

##### *New standards and interpretations*

The following standards and interpretations have an effective date after the date of these financial statements. The Company plans to adopt them from the effective dates adopted by EU and is currently completing an impact assessment to be able to quantify the effect the new standards will have on the company financial statements.

<i>Standard or interpretation</i>	<i>Title</i>	<i>Effective for accounting periods beginning on or after</i>
IAS 1	Disclosure initiative – Amendments to IAS 1	1 January 2016
IAS 16 and IAS 38	Clarification of acceptable methods of depreciation and amortisation	1 January 2016
IFRS 14	Regulatory Deferral Accruals	1 January 2016
IAS 7	Disclosure Initiative - Amendments to IAS 7	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 16	Leases	1 January 2019

## Notes to the financial statements (continued)

at 31 July 2016

### 3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

#### *Judgments*

The following are the critical judgments (apart from those involving estimations), that management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

#### *Development costs*

Development costs that are directly attributable to the development of a product are capitalised using management's assessment of the likelihood of a successful outcome for each product being released to market, this is based on management's judgement that the product is technologically, commercially and economically feasible in accordance with IAS 38 'Intangible assets'.

#### *Estimates and assumptions*

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

#### *Rebates payable and receivable*

The Company has a number of customer and supplier rebate agreements that are recognised as a reduction from sales or a reduction of cost of sales as appropriate (collectively referred to as rebates). Rebates are based on an agreed percentage of turnover or purchases, which will increase with the level of turnover achieved or purchases made. These agreements typically run to a different reporting period to that of the Company with some of the amounts payable and receivable being subject to confirmation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebate that will become both payable and due to the Company under these agreements based upon their best estimates of volumes and product mix that will be bought or sold over each individual rebate agreement period. Where the respective customer or supplier has been engaged with the Company for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded. The rebate provision at 31 July 2016 is £1,816,000 (2015: £1,594,000).

#### *Provisions against receivables*

Using information available at the balance sheet date, the Directors make assumptions on the estimated debt recovery rates, based on experience, regarding the level of provision required to account for potentially uncollectible receivables.

#### *Provisions against inventory*

Inventory provisions include obsolescence and write-downs which take into account historical information related to sales trends and stock counts and represent the expected write-down between the estimated net realisable value and the original cost. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

## Notes to the financial statements (continued)

at 31 July 2016

### 4. Turnover

Turnover recognised in the statement of comprehensive income is split by geographical area as follows:

	2016 £000	2015 £000
United Kingdom	25,545	26,504
Overseas	3,004	2,670
Total turnover	28,549	29,174

### 5. Operating profit

Operating profit is stated after charging/(crediting):

	2016 £000	2015 £000
Inventory recognised as an expense	16,495	16,911
Depreciation of tangible assets	253	263
Amortisation of intangible assets	3	8
Foreign exchange losses	32	32
Research and development costs	30	20
Profit on disposal of tangible assets	-	(4)
Operating lease charges	510	510

The current and prior year audit fees were borne by a fellow group undertaking.

### 6. Interest receivable and similar income

	2016 £000	2015 £000
<i>Interest receivable and similar income:</i>		
Interest receivable on loans to group companies	-	282

# Notes to the financial statements (continued)

at 31 July 2016

## 7. Staff costs

	2016 £000	2015 £000
Wages and salaries	5,718	5,210
Social security costs	416	418
Other pension costs	60	53
	<u>6,194</u>	<u>5,681</u>

Other pension costs relate to the Company's contribution to defined contribution pension plans. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2015/16 but based on actual salary levels in 2016/17.

*Average monthly number of employees in the year*

	2016 No.	2015 No.
Production	250	223
Sales and administration	39	30
	<u>289</u>	<u>253</u>

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2015 – £nil). The directors receive remuneration from a fellow group undertaking, Volution Group plc in respect of services to the group of which the Company is a member. Total remuneration paid by the enlarged group to directors of the Company (including pension scheme contributions) was £1,099,000 (2015 – £1,102,000). It is not possible to identify the proportion of this remuneration that relates to services to this Company.

## 8. Income taxes

(a) Income tax recognised in profit for the year:

	2016 £000	2015 £000
<b>Current income tax:</b>		
Current income tax expense	1,446	1,276
Tax credit relating to the prior year	(181)	18
Total current tax	<u>1,265</u>	<u>1,294</u>
<b>Deferred tax:</b>		
Origination and reversal of temporary differences	(4)	(26)
Effect of changes in the tax rate	6	1
Tax credit relating to prior years	(6)	-
Total deferred tax	<u>(4)</u>	<u>(25)</u>
<b>Net tax charge</b>	<u>1,261</u>	<u>1,269</u>

## Notes to the financial statements (continued)

at 31 July 2016

### 8. Income taxes (continued)

#### (b) Reconciliation of total tax

The tax charge for the year differs from the standard rate of UK corporation tax for the year of 20.00% (2015 – 20.67%). The differences are reconciled below:

	2016 £000	2015 £000
Profit before tax	7,202	8,128
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.00% (2015 – 20.67%)	1,440	1,680
Adjustment in respect of previous years	(187)	18
Expenses not deductible for tax purposes	2	3
Effect of difference in tax rates	6	1
Group relief claimed for nil payment	-	(433)
Tax charge reported in the statement of comprehensive income	1,261	1,269

#### (c) Deferred tax balances

Deferred tax assets arise from the following:

	1 August 2015 £000	Credited to income £000	31 July 2016 £000
<b>Temporary differences:</b>			
Depreciation in advance of capital allowances	46	4	50
Temporary differences	1	-	1
	47	4	51

# Notes to the financial statements (continued)

at 31 July 2016

## 9. Tangible assets

	<i>Freehold land and buildings £'000</i>	<i>Plant and machinery £'000</i>	<i>Fixtures, fittings, tools, equipment and vehicles £'000</i>	<i>Total £'000</i>
<b>Cost:</b>				
At 1 August 2015	561	5,017	409	5,987
Additions	-	102	7	109
Disposals	-	-	(22)	(22)
At 31 July 2016	561	5,119	394	6,074
<b>Depreciation:</b>				
At 1 August 2015	304	4,467	239	5,010
Charge for the year	37	178	38	253
Disposals	-	-	(3)	(3)
At 31 July 2016	341	4,645	274	5,260
<b>Net book value:</b>				
At 31 July 2016	220	474	120	814
At 31 July 2015	257	550	170	977

## 10. Intangible assets

	<i>Software costs £'000</i>
<b>Cost:</b>	
At 1 August 2015	95
Additions	7
At 31 July 2016	102
<b>Amortisation:</b>	
At 1 August 2015	93
Charge for the year	3
At 31 July 2016	96
<b>Net book value:</b>	
At 31 July 2016	6
At 31 July 2015	2

## Notes to the financial statements (continued)

at 31 July 2016

### 11. Stocks

	2016 £000	2015 £000
Raw materials and consumables	1,052	1,339
Finished goods and goods for resale	1,017	620
	<u>2,069</u>	<u>1,959</u>

### 12. Trade and other debtors

	2016 £000	2015 £000
Trade debtors	6,889	6,288
Allowance for doubtful debts	(351)	(688)
	<u>6,538</u>	<u>5,600</u>
Prepayments	260	192
	<u>6,798</u>	<u>5,792</u>

	2016 £000	2015 £000
Neither past due nor impaired	4,295	5,303
Past due but not impaired:		
Overdue 0 – 30 days	1,376	139
Overdue 31 – 60 days	597	115
Overdue 61 – 90 days	186	43
Overdue more than 90 days	84	-
	<u>6,538</u>	<u>5,600</u>

### 13. Trade and other creditors

	2016 £000	2015 £000
Trade creditors	2,879	2,190
Social security and staff welfare costs	118	101
Accrued expenses	2,691	2,603
	<u>5,688</u>	<u>4,894</u>



## Notes to the financial statements (continued)

at 31 July 2016

### 14. Provisions for liabilities

	<i>Property Dilapidations £000</i>	<i>Product warranties £000</i>
At 1 August 2014	550	255
Arising during the year	-	62
Utilised	-	(174)
At 1 August 2015	550	143
Arising during the year	-	195
Utilised	-	(172)
At 31 July 2016	550	166
<i>Analysis:</i>		
Current at 31 July 2016	-	166
Non-current at 31 July 2016	550	-
Current at 1 August 2015	-	143
Non-current at 1 August 2015	550	-

#### *Product warranties*

A provision is recognised for warranty costs expected to be incurred in the following 12 months on products sold during the year and in prior years. Product warranties can range between one and five years; however, based on management's knowledge of the products, claims in relation to warranties after more than twelve months are rare and immaterial.

#### *Property dilapidations*

A provision has been recognised for dilapidations relating to obligations under leases for leasehold buildings and will be payable at the end of the lease term.

### 15. Share capital

	<i>No.</i>	<i>2016 £000</i>	<i>No.</i>	<i>2015 £000</i>
<i>Allotted, called up and fully paid</i>				
Ordinary shares of £1 each	10,000	10	10,000	10

### 16. Dividends paid and proposed

	<i>2016 £000</i>	<i>2015 £000</i>
<b>Cash dividends on ordinary shares declared and paid:</b>		
Interim dividend for 2016: £525.00 per share (2015:£235.00)	5,250	2,350

## Notes to the financial statements (continued)

at 31 July 2016

### 17. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from the requirements in IAS 24 Related Party Disclosures not to disclose transactions with other wholly owned members of the Volution Group plc group ('the Group'), as 100% of the Company's voting rights are controlled within the Group and Group financial statements in which the Company is included are publicly available.

### 18. Commitments and contingencies

#### *Operating lease commitments*

The Company has entered into commercial leases on certain items of land and building and others. These leases have an average life of between 5 and 15 years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these contracts.

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2016 £000	2015 £000
Within one year	510	510
After one year but not more than five years	2,010	2,024
More than five years	463	968
	<u>2,983</u>	<u>3,502</u>

### 19. Controlling parties

The Company's immediate parent undertaking is Volution Ventilation Group Limited.

The parent undertaking of the largest and smallest group for which consolidated financial statements are drawn up that include the results of the Company is Volution Group plc, a public company incorporated in England and Wales. Copies of the group financial statements of Volution Group plc are available from Fleming Way, Crawley, West Sussex RH10 9YX.

The directors consider the ultimate parent and controlling party of the Company to be Volution Group plc.