

Manrose Manufacturing Limited

Report and Financial Statements

Year Ended

31 July 2018

Company Number 02197755



Manrose Manufacturing Limited

Report and financial statements for the year ended 31 July 2018

Contents

Page:

2	Strategic report
3	Directors' report
5	Directors' responsibilities statement
6	Independent auditor's report
8	Statement of comprehensive income
9	Statement of financial position
10	Statement of changes in equity
11	Notes forming part of the financial statements

Directors

R A George
I Dew

Registered office

Fleming Way, Crawley, West Sussex, RH10 9YX

Company number

02197755

Auditor

Ernst & Young LLP, 1 More London Place, London, SE1 2AF

Manrose Manufacturing Limited

Strategic report for the year ended 31 July 2018

The directors of Manrose Manufacturing Limited ('the Company') present their strategic report for the year ended 31 July 2018.

Restructuring

On 31 July 2018, the trade and assets of the company were transferred to Volution Ventilation UK Limited, a newly created company within the group. Volution Ventilation UK Limited is wholly owned by Volution Ventilation Group Limited and the ultimate parent is Volution Group plc. Further information about the restructuring can be found in note 20.

Principal activity

The principal activity of the Company during the financial year was the design, manufacture, installation and distribution of unitary and systems ventilation products. The results for the current financial year represent the final year of trading as a manufacturer of ventilation products.

Business review

The profit for the year, after taxation, is £1,273,000. (2017: £4,820,000). The Company's key financial and other performance indicators during the year were as follows:

	2018 £000	2017 £000	Change %
Turnover	29,688	28,233	5.2
Operating profit	1,604	6,049	(73.5)
EBITDA	1,908	6,253	(69.5)
Average number of employees	305	281	8.2

During the year, the Company's turnover increased by £1,455,000 (2017: decreased by £316,000) following strong performance in the export and retail channels, but larger declines in the heating & ventilation market in the UK. The increase in turnover has been offset by an increase in exceptional costs which contributed to an overall decrease in EBITDA and operating profit margins.

The exceptional costs for the year ended 31 July 2018 relates to the factory relocation project to rationalise manufacturing capacity at Reading and Slough and totalled £4,610,000 (2017: £290,000).

Principal risks and uncertainties (including those arising from the use of financial instruments)

Due to a change in the activities of the Company, the directors do not consider that there are any principal risks or uncertainties facing this Company at 31 July 2018.

On behalf of the Board



Ian Dew
Director
26 April 2019

Manrose Manufacturing Limited

Directors' report for the year ended 31 July 2018

The directors of Manrose Manufacturing Limited ('the Company') present their report and financial statements for the year ended 31 July 2018.

Directors

The directors of the company throughout the year were:

R A George
I Dew

Dividends

The Company paid an interim dividend of £1,000,000. (2017: £5,600,000). The directors do not recommend the payment of a final dividend (2017: £nil).

Donations

During the year, the company did not make any political or charitable donations.

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.

Manrose Manufacturing Limited

Directors' report for the year ended 31 July 2018 (*continued*)

Going concern

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that the Company has adequate support from its ultimate parent company, Volution Group plc, 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 5 and should be read in conjunction with this statement.

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
Director
26 April 2019

Manrose Manufacturing Limited

Directors' responsibilities statement for the year ended 31 July 2018

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 year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Manrose Manufacturing Limited

Opinion

We have audited the financial statements of Manrose Manufacturing Limited for the year ended 31 July 2018 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 July 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

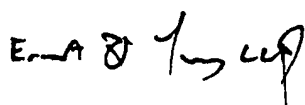
Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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



Zishan Nurmohamed (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
Date 29/04/2019

Manrose Manufacturing Limited

Statement of comprehensive income for the year ended 31 July 2018

	Note	Year ended 31 July 2018 £'000	Year ended 31 July 2017 £'000
Turnover	4	29,688	28,233
Cost of sales		<u>(17,606)</u>	<u>(15,749)</u>
Gross profit		12,082	12,484
Administrative expenses		(5,868)	(6,145)
Exceptional items	5	<u>(4,610)</u>	<u>(290)</u>
Operating profit	5	1,604	6,049
Taxation on profit on ordinary activities	7	<u>(331)</u>	<u>(1,229)</u>
Profit for the financial year		1,273	4,820
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>1,273</u>	<u>4,820</u>

The results from current and prior years arise primarily from discontinued operations.

The notes on pages 11 to 27 form part of these financial statements.

Manrose Manufacturing Limited

Statement of financial position at 31 July 2018

Company number 02197755

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Non-current assets					
Intangible assets	9	-	-	-	4
Tangible assets	10	-	-	-	863
Deferred tax asset	15	-	-	-	44
					<u>911</u>
Current assets					
Inventories	11	-	-	2,232	
Trade and other receivables	12	-	-	6,899	
Cash at bank and in hand		-	-	1,781	
				<u>10,912</u>	
Current liabilities					
Trade and other payables	13	-	-	(7,343)	
Provisions for liabilities	14	-	-	(755)	
				<u>(8,098)</u>	
Net current assets			-		<u>2,814</u>
Net assets			-		<u>3,725</u>
Capital and reserves					
Called up share capital	16	-	-	-	10
Profit and loss account		-	-	-	3,715
Equity attributable to owners of the parent company			-		<u>3,725</u>

The financial statements were approved by the Board of Directors and authorised for issue on 26 April 2019.



Ian Dew
Director

The notes on pages 11 to 27 form part of these financial statements.

Manrose Manufacturing Limited

Statement of changes in equity at 31 July 2018

	Share capital £'000	Profit and loss account £'000	Total equity £'000
1 August 2016	10	4,495	4,505
Profit for the year	-	4,820	4,820
Dividends	-	(5,600)	(5,600)
31 July 2017	10	3,715	3,725
Profit for the year	-	1,273	1,273
Capital reduction	(10)	10	-
Distribution to Volution Ventilation Group Limited		(3,998)	(3,998)
Dividends	-	(1,000)	(1,000)
31 July 2018	-	-	-

The capital reduction and distribution arose following a group restructuring, details of the restructuring can be found in note 20.

The notes on pages 11 to 27 form part of these financial statements.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018

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 2018. 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 26 April 2019 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 and in accordance with the Companies Act 2006.

The financial statements are presented in Sterling and all values are rounded to the nearest thousand (£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 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'.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

Going concern

The directors confirm that after making appropriate enquiries, they have a reasonable expectation that the Company has adequate support from its ultimate parent company, Volusion Group plc, 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 5 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.

Exceptional items

The Company discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance. Exceptional items include, but are not limited to, significant restructuring costs, fair value adjustments and material gains or losses on disposal of assets.

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 ('£'), 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 year, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting year. 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.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

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.

Freehold buildings	- 30 - 50 years
Plant and machinery	- 5 - 10 years
Fixtures, fittings, tools, equipment and motor 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.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

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	- 5 years
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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.

Inventories

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.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

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.

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.

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.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

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 in the balance sheet.

Derecognition of financial assets

A financial asset is derecognised when (i) the rights to receive cash flows from the asset have expired or (ii) the Company 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 Company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

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.

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 year 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 year.

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

There were no new or amended accounting standards relevant to the Company's results that are effective for the first time in 2018 that have a material impact on the Company's financial statements.

The following standards and interpretations have an effective date after the date of these financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments was issued in July 2014 to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 has been endorsed by the EU and is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Company on 1 August 2018.

IFRS 9 impacts the classification and measurement of the Company's financial instruments and requires certain additional disclosures. IFRS 9 also introduces changes to impairments of financial assets, which will result in the Company moving from an incurred loss model to an expected loss model. Although the new standard impacts the way in which bad debt provisions are calculated, as the Company has historically not incurred significant bad debt losses the Company does not anticipate that the impact of this change will be material.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

2 Accounting policies (*continued*)

New standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15, as amended, is effective for accounting periods beginning on or after 1 January 2018 and was adopted by the Company on 1 August 2018. IFRS 15 provides a single, principles based 5 step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. It replaces the separate models for goods, services and construction contracts currently included in IAS11 Construction Contracts and IAS 18 Revenue.

The Company has undertaken analysis of how IFRS 15 should be implemented and the resulting impact on the financial statements. As permitted by IFRS 15 we have applied the new standard using the modified retrospective method. We recognised the cumulative effect of applying the new standard at the date of initial application, 1 August 2018, with no restatement of the comparative period presented. We have also chosen to apply the new standard only to those contracts that were not considered completed contracts at 1 August 2018.

Our impact assessment has concluded that IFRS 15 does not have a significant impact on the recognition of revenue from the sale of goods due to the lack of complexity involved in these transactions. IFRS 15 impacts the timing and amount of revenue recognised which arises from the provision of services; however, as the level of revenue generated from the provision of services is not significant to the Company, our assessment is that the impact of IFRS 15 is also not material to the Company.

IFRS 16 Leases

IFRS 16 Leases was issued in January 2017 to replace IAS 17 Leases. The standard is effective for accounting periods beginning on or after 1 January 2019 and will be adopted by the Company on 1 August 2019.

The Directors do not consider IFRS 16 to have a significant impact on the Company.

Other new standards or interpretations in issue, but not yet effective, are not expected to have a material impact on the Company's net assets or results.

3 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

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.

Manrose Manufacturing Limited

Notes forming part of the financial statements for the year ended 31 July 2018 (*continued*)

3 Key sources of estimation uncertainty (*continued*)

Estimates and assumptions (*continued*)

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 year 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 year. 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 provision for rebates payable for the year ended 31 July 2018 is £nil (2017: £1,360,000).

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.

The provision against receivables for the year ended 31 July 2018 is £nil (2017: £332,000).

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.

The provision against inventories for the year ended 31 July 2018 is £nil (2017: £225,000).

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (continued)

4 Analysis of turnover

	2018 £'000	2017 £'000
Analysis by class of business:		
Sale of goods	<u>29,688</u>	<u>28,233</u>
Analysis of turnover by country of destination:		
United Kingdom	25,656	25,103
Rest of Europe	2,875	2,157
Rest of the world	<u>1,157</u>	<u>973</u>
	<u>29,688</u>	<u>28,233</u>

5 Operating profit

	2018 £'000	2017 £'000
This is arrived at after charging/(crediting):		
Research and development expenditure	52	44
Inventory recognised as an expense	18,469	13,411
Depreciation of tangible fixed assets	300	201
Amortisation of intangible assets	4	3
(Gain)/Loss on disposal of fixed assets	(187)	18
Operating lease expense	1,097	505
Exchange differences	<u>(89)</u>	<u>(33)</u>

Fees payable to the Company's auditor for the audit of the Company's annual accounts were borne by a fellow group company.

The exceptional expenditure items for the year ended 31 July 2018 relate to the factory relocation project to rationalise manufacturing capacity at Reading and Slough and totalled £4,610,000 (2017: £290,000). The project is expected to last until January 2019. A breakdown of the costs is as follows:

Factory relocation costs

	2018 £'000	2017 £'000
Legal and professional	118	-
Project manager	153	-
Redundancy-related costs	54	-
Stock write off	27	-
Fixed asset write off	86	-
Site clearance and closure	627	286
Dual running costs	1,015	-
Start-up costs	<u>2,530</u>	<u>4</u>
	<u>4,610</u>	<u>290</u>

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

6 Employees

	2018 £'000	2017 £'000
Staff costs (including directors) consist of:		
Wages and salaries	7,385	5,721
Social security costs	480	448
Cost of defined contribution scheme	88	67
	<u>7,953</u>	<u>6,236</u>

The average number of employees (including directors) during the year was as follows:

	2018 Number	2017 Number
Production	230	216
Administration	75	65
	<u>305</u>	<u>281</u>

No remuneration was paid, or is payable, to the directors in their capacity as directors to the Company in the current or previous year.

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 £1,510,000 (2017: £1,962,000). It is not possible to identify the proportion of this remuneration that relates to services to the Company.

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

7 Taxation on profit on ordinary activities

	2018 £'000	2017 £'000
<i>UK corporation tax</i>		
Current tax on profits of the year	317	1,214
Adjustment in respect of previous years	(12)	8
Total current tax	305	1,222
<i>Deferred tax</i>		
Origination and reversal of timing differences	29	4
Changes to tax rates	(3)	2
Tax expense/(credit) relating to prior years	-	1
	26	7
Taxation on profit on ordinary activities	331	1,229

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	1,604	6,049
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.00% (2017: 19.67%)	305	1,190
Effects of:		
Adjustment in respect of previous years	(12)	9
Expenses not deductible for tax purposes	41	28
Effect of difference in tax rates	(3)	2
Total tax charge for year	331	1,229

The Finance Act 2016, enacted on 15 September 2016, included a further rate change. The 18% rate enacted in the Finance (No. 2) Act 2015 will reduce by 1%, so that from 1 April 2020, the mainstream corporation tax rate will become 17%. These changes were reflected in the figures in these financial statements.

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

8 Dividends

	2018 £'000	2017 £'000
Ordinary shares		
Interim paid of £100.00 (2017: £560.00) per share	<u>1,000</u>	<u>5,600</u>

9 Intangible assets

	Software £'000
<i>Cost</i>	
At 1 August 2017	103
Additions	14
Transfer to group company	<u>(117)</u>
At 31 July 2018	<u>-</u>
<i>Amortisation</i>	
At 1 August 2017	99
Provision for year	4
Transfer to group company	<u>(103)</u>
At 31 July 2018	<u>-</u>
<i>Net book value</i>	
At 31 July 2018	<u>-</u>
At 31 July 2017	<u>4</u>

Details about the group restructuring can be found in note 20.

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

10 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures, fittings, tools, equipment and motor vehicles £'000	Total £'000
<i>Cost</i>				
At 1 August 2017	561	5,322	417	6,300
Additions	419	1,009	520	1,948
Disposals	(561)	(22)	(149)	(732)
Transfer to group company	(419)	(6,309)	(788)	(7,516)
At 31 July 2018	-	-	-	-
<i>Depreciation</i>				
At 1 August 2017	378	4,770	289	5,437
Provision for year	44	181	75	300
Disposals	(399)	(13)	(73)	(485)
Transfer to group company	(23)	(4,938)	(291)	(5,252)
At 31 July 2018	-	-	-	-
<i>Net book value</i>				
At 31 July 2018	-	-	-	-
At 31 July 2017	183	552	128	863

Details about the group restructuring can be found in note 20.

11 Inventories

	2018 £'000	2017 £'000
Raw materials and consumables	-	1,133
Finished goods and goods for resale	-	1,099
	-	2,232

12 Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	-	5,709
Amounts owed by group undertakings	-	987
Prepayments and accrued income	-	203
	-	6,899

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

13 Trade and other payables

	2018 £'000	2017 £'000
Trade payables	-	3,045
Amounts owed to group undertakings	-	1,236
Taxation and social security	-	122
Accruals and deferred income	-	2,940
	<u>-</u>	<u>7,343</u>

14 Provisions for liabilities

	Product warranties £'000	Property dilapidations £'000	Total £'000
At 1 August 2017	205	550	755
Arising during the year	-	250	250
Utilised during the year	(69)	(550)	(619)
Transfer to group company	<u>(136)</u>	<u>(250)</u>	<u>(386)</u>
At 31 July 2018	<u>-</u>	<u>-</u>	<u>-</u>

Product warranties

A provision was 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. The warranty has been transferred to Volution Ventilation UK Limited and therefore, going forward, will no longer be recognised in Manrose Manufacturing Limited.

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. The warranty has been transferred to Volution Ventilation UK Limited and therefore, going forward, will no longer be recognised in Manrose Manufacturing Limited.

Details about the group restructuring can be found in note 20.

15 Deferred taxation

	1 August 2017 £'000	Charged to income £'000	Transfer to group company £'000	31 July 2018 £'000
Deferred tax asset				
Depreciation charged in advance of capital allowances	<u>44</u>	<u>(26)</u>	<u>(18)</u>	<u>-</u>

The Company has no unused tax losses or credits.

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

16 Share capital

	2018 £'000	2017 £'000
<i>Allotted, called up and fully paid</i>		
1 (2017: 10,000) ordinary shares of £1.00 each	-	10

The group restructuring resulted in a capital reduction where the number of shares was reduced from 10,000 to 1 ordinary share of £1 each. The amount arising upon the reduction was credited to the profit and loss account of the Company.

17 Commitments under operating leases

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	2018 £'000	2017 £'000
Not later than 1 year	-	421
Later than 1 year and not later than 5 years	-	3,000
Later than 5 years	-	900
Total	-	4,321

18 Related party disclosures

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.

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.

Manrose Manufacturing Limited

Notes forming part of the financial statements
for the year ended 31 July 2018 (*continued*)

20 Restructuring of the business

On 31 July 2018, the trade and assets of the company were transferred to Volution Ventilation UK Limited, a newly created company within the group. Volution Ventilation UK Limited is wholly owned by Volution Ventilation Group Limited and the ultimate parent is Volution Group plc.

	Transfer to Group company £'000
Property, plant and equipment	2,264
Intangible assets	14
Inventories	2,844
Trade receivables	5,886
Amounts owed by group companies	111
Cash and cash equivalents	668
Trade payables	(7,119)
Amounts owed to group companies	(302)
Provisions for liabilities	(386)
Deferred tax asset	18
Total	3,998

The group restructuring also resulted in a capital reduction where the number of shares was reduced from 10,000 to 1 ordinary share of £1 each. The amount arising upon the reduction was credited to the profit and loss account of the Company.