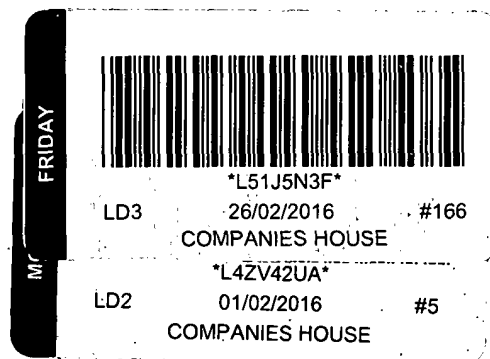


Torin Sifan Limited

Report and Financial Statements

31 July 2015



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 Torin-Sifan Limited ('the Company') present their strategic report for the year ended 31 July 2015.

Principal activity and review of the business

The principal activity of the Company continues to be the design, manufacture and distribution of a range of motors and components for use in air movement applications and gas boilers.

The profit for the year, after taxation, is £2,371,000 (2014: £3,014,000).

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

	2015 £000	2014 £000	Change %
Turnover	19,965	20,590	(3.0)
Operating profit	2,475	2,926	(15.5)
EBITDA	2,952	3,292	(10.4)
Average number of employees	226	218	3.7

During the year, the Company's turnover decreased by £625,000 mainly as a consequence of lower sales of spare parts for non-condensing boilers due to a mild winter. There is a correlation between mild winters and lower sales of these replacement parts. The sales of gas boiler combustion motors therefore declined compared to the prior year although an improved performance was noted in the second half of the year. Sales of electrically commutated direct current (EC/DC) motorised impellers continues to grow as this area is supported by market growth, both in the UK and in continental Europe, for central systems ventilation where these motors provide the air movement capacities. In addition strong currency headwinds have had a negative impact on the results for the year.

A re-organisation of the Volution Group (the "Group"), of which the Company is a member, took place during the year. As the Group has grown and been through various rounds of ownership and re-financing the Group structure has evolved accordingly. Because Volution is now a fully listed Group it was necessary to simplify the Group corporate structure and remove dividend blocks, as initially described in the IPO prospectus (pages 207 and 208). As a result of the re-organisation, the Company released its direct parent from an amount owed to the Company of £17,140,000. In addition to the waiver of debt the only other impact on the Company from the re-organisation was a capital reduction, which led to £5,000,000 of its share capital balance and £10,000,000 of its share premium reserve becoming distributable on transfer to the profit and loss account.

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.

Strategic report (continued)

Financial instrument risk

The Company principally engages in one type of financial instrument, which is short term working capital (trade and other debtors, trade and other 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. The risk to derivative financial instruments is minimal as the transacted rate and quantity of currency are fixed in advance. 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.

➤ **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.

Change in reporting framework

During the year, the company transitioned from UK GAAP to FRS 101 - Reduced Disclosure Framework and has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking, Volution Holdings Limited, was notified of and did not object to the use of the disclosure exemptions available under FRS 101. The material recognition and measurement differences arising on adoption of FRS 101 are set-out in note 20, comparative financial information has been restated accordingly.

On behalf of the Board



Ian Dew
Director

17 December 2015

Directors' report

The directors of Torin-Sifan Limited ('the Company') present their report and financial statements for the year ended 31 July 2015.

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 did not pay an interim dividend. The directors do not recommend the payment of a final dividend (2014 – £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
Director
17 December 2015

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 Torin-Sifan Limited

We have audited the financial statements of Torin Sifan Limited for the year ended 31 July 2015 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and the related notes 1 to 20. 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 inconsistent 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 2015 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.

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 Torin-Sifan 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.

E. A. & Young LLP

Zishan Nurmohamed (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

Date 18/12/15

Statement of comprehensive income

For the year ended 31 July 2015

	Notes	2015 £000	2014 £000
Turnover	4	19,965	20,590
Cost of sales		(14,509)	(14,380)
Gross profit		5,456	6,210
Distribution costs		(1,228)	(1,101)
Administrative expenses		(1,753)	(2,183)
Operating profit	5	2,475	2,926
Interest receivable and similar income	6	501	918
Profit on ordinary activities before tax		2,976	3,844
Income tax	8	(605)	(830)
Profit for the year		2,371	3,014
Other comprehensive income		-	-
Total comprehensive income		2,371	3,014

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

Statement of financial position

at 31 July 2015

		2015	2014	As at 1 August 2013
	Notes	£000	£000	£000
Fixed assets				
Tangible assets	9	3,547	2,918	2,438
Intangible assets – goodwill	10	4,320	4,320	4,320
Intangible assets – other	10	731	523	171
Investments	11	2,469	2,469	2,469
		<u>11,067</u>	<u>10,230</u>	<u>9,398</u>
Current assets				
Stocks	12	2,955	3,200	2,834
Trade and other debtors	13	2,781	2,779	3,126
Amounts owed by group companies falling due within one year		-	26	3
Amounts owed by group companies falling due after one year		-	16,031	11,313
		<u>5,736</u>	<u>22,036</u>	<u>17,276</u>
Cash at bank and in hand		<u>1,478</u>	<u>862</u>	<u>3,575</u>
		<u>7,214</u>	<u>22,898</u>	<u>20,851</u>
Creditors: amounts falling due within one year				
Trade and other creditors	14	(3,169)	(3,023)	(3,097)
Amounts owed to group companies		(545)	(752)	(967)
Provisions for liabilities	15	(144)	(204)	(179)
		<u>(3,858)</u>	<u>(3,979)</u>	<u>(4,243)</u>
Net current assets		<u>3,356</u>	<u>18,919</u>	<u>16,608</u>
Total assets less current liabilities		<u>14,423</u>	<u>29,149</u>	<u>26,006</u>
Creditors: amounts falling due after one year				
Amounts owed to group companies		(2,469)	(2,469)	(2,469)
Provisions for liabilities	15	(217)	(174)	(45)
Net assets		<u>11,737</u>	<u>26,506</u>	<u>23,492</u>
Capital and reserves				
Share capital	16	-	5,000	5,000
Share premium		-	10,000	10,000
Profit and loss account		<u>11,737</u>	<u>11,506</u>	<u>8,492</u>
Total equity		<u>11,737</u>	<u>26,506</u>	<u>23,492</u>

The financial statements of Torin-Sifan Limited (registered number 04569050) were approved by the Board of Directors and authorised for issue on 17 December 2015.

On behalf of the board



Ian Dew
Chief Financial Officer

Statement of changes in equity

For the year ended 31 July 2015

	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 August 2013	5,000	10,000	8,492	23,492
Profit for the year	-	-	3,014	3,014
At 31 July 2014	5,000	10,000	11,506	26,506
Profit for the year	-	-	2,371	2,371
Capital reduction	(5,000)	(10,000)	15,000	-
Waiver of debt	-	-	(17,140)	(17,140)
At 31 July 2015	-	-	11,737	11,737

During the year, the Company completed a capital reduction under section 642 to 644 of the Companies Act, which resulted in the share premium and share capital account becoming distributable. Amounts previously within the share premium account and share capital were therefore transferred to the profit and loss account.

Notes to the financial statements

at 31 July 2015

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

The financial statements present the results and financial position of Torin-Sifan Limited ("the Company") for the year ended 31 July 2015. The Company is a private 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 17 December 2015 and the balance sheet was signed on the board's behalf by Ronnie George and Ian Dew.

The Company has early adopted FRS 101, which is effective for accounting periods commencing after 1 January 2015. The financial statements have been prepared under the historical cost convention 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 Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Volution Group plc. The results of the Company are included in the consolidated financial statements of Volution Group plc which are available from Fleming Way, Crawley, West Sussex RH10 9YX.

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 Company has early adopted FRS 101, which is effective for accounting periods commencing after 1 January 2015. The financial statements have been prepared under the historical cost convention. The financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

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 2015

2. Accounting policies (continued)

Going concern

The company meets its day-to-day working capital requirements through its cash reserves. The current economic conditions continue to create uncertainty particularly over the level of demand for the company's products. The company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the level of its current cash reserves. After making appropriate enquires, the directors believe there are no material uncertainties that lead to significant doubt that the entity can continue as a going concern in the foreseeable future. The company therefore continues to adopt the going concern basis in preparing its financial statements.

Turnover 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 2015

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 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 assets; 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 2015

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:

Development costs	–	10 years
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 2015

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 or available-for-sale financial assets.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, 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, loan notes, quoted and unquoted financial instruments, and derivative financial instruments.

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 tangible assets. The company's loans and receivables comprise receivables and cash in the balance sheet.

Available-for-sale financial assets

Available-for-sale financial investments include equity securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognised as other comprehensive income in the unrealised gains and losses reserve. When the investment is derecognised, the cumulative gain or loss is recognised in other operating income, or determined to be impaired, at which time the cumulative loss is recognised in the income statement in other operating expenses and removed from the unrealised gains and losses reserve.

The Company evaluates its available-for-sale financial assets and whether the ability and intent to sell them in the near term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intent significantly changes to do so in the foreseeable future, the Company may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial asset meets the definition of loans and receivables and when the Company has the intent and ability to hold these assets for the foreseeable future or until maturity.

Notes to the financial statements (continued)

at 31 July 2015

2. Accounting policies (continued)

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.

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.

Investments

Investments are held at cost less accumulated impairment losses.

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.

Notes to the financial statements (continued)

at 31 July 2015

2. Accounting policies (continued)

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 although limited impact assessment work has been completed, the Company does not foresee any material impact.

<i>Standard or interpretation</i>	<i>Title</i>	<i>Effective for accounting periods beginning on or after</i>
IFRS 9	Financial Instruments: Classification and Measurement	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018

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.

Taxation

The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by tax authorities of the respective countries in which it operates. The amount of such provisions are based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

4. Turnover

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

	2015	2014
	£000	£000
UK	11,238	10,659
Overseas	8,727	9,931
Total turnover	<u>19,965</u>	<u>20,590</u>

Notes to the financial statements (continued)

at 31 July 2015

5. Operating profit

Operating profit is stated after charging:

	2015 £000	2014 £000
Inventory recognised as an expense	14,095	14,063
Depreciation of tangible assets	443	357
Amortisation of intangible assets	34	9
Foreign exchange gains	(54)	(4)
Research and development costs	635	687
(Profit)/loss on disposal of tangible assets	(2)	9
Operating lease charges – land and buildings	123	123
Operating lease charges - other	27	24

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

6. Interest receivable and similar income

	2015 £000	2014 £000
Interest received on amounts owed by group companies	501	918

7. Staff costs

	2015 £000	2014 £000
Wages and salaries	4,469	4,461
Social security costs	386	394
Other pension costs	217	259
	5,072	5,114

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 2014/15 but based on actual salary levels in 2015/16.

Average monthly number of employees in the year

	2015 No.	2014 No.
Production	185	149
Sales and administration	41	69
	226	218

No remuneration was paid or is payable to the directors in their capacity as directors of the Company (2014 – £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 £1,102,000 (2014 – £1,691,000). It is not possible to identify the proportion of this remuneration that relates to services to this Company.

Notes to the financial statements (continued)

at 31 July 2015

8. Income taxes

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

	2015 £000	2014 £000
Current income tax:		
Current income tax expense	605	796
Tax credit relating to the prior year	(43)	(45)
Total current tax	562	751
Deferred tax:		
Origination and reversal of temporary differences	44	90
Effect of changes in the tax rate	(1)	(11)
Total deferred tax	43	79
Total tax charge	605	830

(b) Reconciliation of total tax

The tax charge for the year differs from the standard rate of UK corporation tax for the year of 20.67% (2014 – 22.33%). The differences are reconciled below

	2015 £000	2014 £000
Profit before tax	2,976	3,844
Profit before tax multiplied by the standard rate of corporation tax in the UK of 20.67% (2014 – 22.33%)	615	858
Adjustment in respect of previous years	(43)	(45)
Expenses not deductible for tax purposes	34	49
Effect of difference in tax rates	(1)	(11)
Additional relief for research and development	-	(21)
Tax charge reported in the consolidated statement of comprehensive income	605	830

(c) Deferred tax balances

Deferred tax liabilities arise from the following:

	1 August 2013 £000	(Charged)/ credited to income £000	1 August 2014 £000	(Charged)/ credited to income £000	31 July 2015 £000
Temporary differences:					
Depreciation in advance of capital allowances	(12)	(14)	(26)	(129)	(155)
Fair value movements of derivative financial instruments	-	1	1	(1)	-
Temporary differences	(33)	(66)	(99)	87	(12)
	(45)	(79)	(124)	(43)	(167)

Notes to the financial statements (continued)

at 31 July 2015

9. Tangible assets

	<i>Freehold land and buildings</i>	<i>Plant and machinery</i>	<i>Fixtures, fittings, tools, equipment and vehicles</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 August 2013	2,148	2,487	1,565	6,200
Additions	481	203	162	846
Disposals	-	(120)	(18)	(138)
At 1 August 2014	2,629	2,570	1,709	6,908
Additions	60	599	421	1,080
Disposals	(11)	(20)	(124)	(155)
At 31 July 2015	2,678	3,149	2,006	7,833
Depreciation:				
At 1 August 2013	696	1,739	1,327	3,762
Charge for the year	94	138	125	357
Disposals	-	(111)	(18)	(129)
At 1 August 2014	790	1,766	1,434	3,990
Charge for the year	132	161	150	443
Disposals	(11)	(20)	(116)	(147)
At 31 July 2015	911	1,907	1,468	4,286
Net book value:				
At 31 July 2015	1,767	1,242	538	3,547
At 31 July 2014	1,839	804	275	2,918
At 31 July 2013	1,452	748	238	2,438

Notes to the financial statements (continued)

at 31 July 2015

10. Intangible assets

	<i>Goodwill</i>	<i>Development costs</i>	<i>Software costs</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cost:				
At 1 August 2013	4,320	113	361	4,794
Additions	-	347	14	361
Disposals	-	-	(35)	(35)
At 1 August 2014	4,320	460	340	5,120
Additions	-	233	9	242
Disposals	-	-	(5)	(5)
At 31 July 2015	4,320	693	344	5,357
Amortisation:				
At 1 August 2013	-	-	303	303
Charge for the year	-	-	9	9
Disposals	-	-	(35)	(35)
At 1 August 2014	-	-	277	277
Charge for the year	-	-	34	34
Disposals	-	-	(5)	(5)
At 31 July 2015	-	-	306	306
Net book value:				
At 31 July 2015	4,320	693	38	5,051
At 31 July 2014	4,320	460	63	4,843
At 31 July 2013	4,320	113	58	4,491

Included in development costs are assets under construction of £693,000 (2014: £460,000), which are not amortised.

11. Investments

	<i>£000</i>
Cost:	
At 1 August 2014, 31 July 2014 and 31 July 2015	2,469

Investments represent a wholly owned interest in Torin Limited, which is registered in England, does not trade and acts as an unremunerated agent.

12. Stocks

	<i>2015</i>	<i>2014</i>	<i>As at 1 August 2013</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>
Raw materials and consumables	1,801	1,583	1,570
Work in progress	597	606	559
Finished goods and goods for resale	557	1,011	705
	2,955	3,200	2,834

Notes to the financial statements (continued)

at 31 July 2015

13. Trade and other debtors

	2015	2014	As at 1 August 2013
	£000	£000	£000
Trade receivables	2,577	2,308	3,000
Allowance for doubtful debts	(17)	(20)	(30)
	<u>2,560</u>	<u>2,288</u>	<u>2,970</u>
Other debtors	1	1	1
Prepayments	220	490	155
	<u>2,781</u>	<u>2,779</u>	<u>3,126</u>

	2015	2014	As at 1 August 2013
	£000	£000	£000
Neither past due nor impaired	1,972	1,839	2,210
Past due but not impaired:			
Overdue 0 – 30 days	549	326	697
Overdue 31 – 60 days	25	90	50
Overdue 61 – 90 days	13	3	13
Overdue more than 90 days	1	30	-
	<u>2,560</u>	<u>2,288</u>	<u>2,970</u>

14. Trade and other creditors

	2015	2014	As at 1 August 2013
	£000	£000	£000
Trade payables	2,641	2,414	2,358
Social security and staff welfare costs	124	128	112
Accrued expenses	404	481	627
	<u>3,169</u>	<u>3,023</u>	<u>3,097</u>

Notes to the financial statements (continued)

at 31 July 2015

15. Provisions for liabilities

	<i>Product warranties</i> £000	<i>Property dilapidations</i> £000	<i>Deferred Tax</i> £000
At 1 August 2013	179	-	45
Arising during the year	126	50	79
Utilised	(101)	-	-
At 1 August 2014	204	50	124
Arising during the year	64	-	43
Utilised	(124)	-	-
At 31 July 2015	144	50	167
<i>Analysis:</i>			
Current at 31 July 2015	144	-	-
Non-current at 31 July 2015	-	50	167
Current at 1 August 2014	204	-	-
Non-current at 1 August 2014	-	50	124
Current at 1 August 2013	179	-	-
Non-current at 1 August 2013	-	-	45

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 highly 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.

16. Share capital

		<i>2015</i>		<i>2014</i>		<i>1 August 2013</i>
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>	<i>£000</i>
Ordinary shares of £1 each	-	-	5,000,000	5,000	5,000,000	5,000
Ordinary shares of £0.000001 each	5,000,000	-	-	-	-	-

During 2015, as part of the group legal entity restructuring the company completed a capital reduction, reducing the nominal value of its ordinary shares from £1 each to £0.000001 each.

17. Related party transactions

The Company has taken advantage of the exemption available under FRS 101 from the requirements of 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 results of the Company is included are publicly available.

As a result of the group re-organisation during the year, the Company released its direct parent from an amount owed to the Company of £17,140,000.

Notes to the financial statements (continued)

at 31 July 2015

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:

<i>Land and buildings</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Within one year	123	123
After one year but not more than five years	492	492
More than five years	-	123
	<u>615</u>	<u>738</u>

<i>Other</i>	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Within one year	5	1
After one year but not more than five years	11	16
	<u>16</u>	<u>17</u>

Capital Commitments

	<i>2015</i> <i>£000</i>	<i>2014</i> <i>£000</i>
Amounts contracted but not provided for	39	650
Amounts authorised but not committed	8	24
Total capital commitments	<u>47</u>	<u>674</u>

19. Controlling parties

The Company's immediate parent undertaking is Volution Holdings 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.

Notes to the financial statements (continued)

at 31 July 2015

20. Transition to FRS 101

For all periods up to and including the year ended 31 July 2014, the Company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 July 2015, are the first the Company has prepared in accordance with FRS 101.

Accordingly, the Company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 August 2013 and the significant accounting policies meeting those requirements are described in the relevant notes.

In preparing these financial statements, the Company has started from an opening balance sheet at 1 August 2013, the Company's date of transition to FRS101, and made those changes in accounting policies and other restatements required for the first-time adoption of FRS 101. As such, this note explains the principal adjustments made by the Company in restating its balance sheet at 1 August 2013 prepared under previously extant UK GAAP and its previously published UK GAAP financial statements for the year ended 31 July 2014.

On transition to FRS 101, the company has applied the requirements of paragraphs 6-33 of IFRS 1 "First time adoption of International Financial Reporting Standards".

Estimates

The estimates at 1 August 2013 and at 31 July 2014 are consistent with those made for the same dates in accordance with UK GAAP (after adjustments to reflect any differences in accounting policies).

Notes to the financial statements (continued)

at 31 July 2015

20. Transition to FRS 101 (continued)

Group reconciliation of equity at 1 August 2013 (date of transition to FRS 101)

	Notes	UK GAAP £000	Adjustments £000	FRS 101 £000
Fixed assets				
Tangible assets	A	2,554	(116)	2,438
Intangible assets – goodwill	D	4,320	-	4,320
Intangible assets – others	A, B	-	171	171
Investments		2,469	-	2,469
		<u>9,343</u>	<u>55</u>	<u>9,398</u>
Current assets				
Stocks		2,834	-	2,834
Trade and other debtors				
- Amounts falling due after one year		11,316	-	11,316
- Amounts falling due within one year		3,126	-	3,126
		<u>17,276</u>	<u>-</u>	<u>17,276</u>
Cash at bank and in hand		3,575	-	3,575
		<u>20,851</u>	<u>-</u>	<u>20,851</u>
Creditors: amounts falling due within one year				
Trade and other creditors		(3,062)	(35)	(3,097)
Amounts owed to group undertakings		(967)	-	(967)
		<u>(4,029)</u>	<u>(35)</u>	<u>(4,064)</u>
Net current assets		<u>16,822</u>	<u>(35)</u>	<u>16,787</u>
Total assets less current liabilities		<u>26,165</u>	<u>20</u>	<u>26,185</u>
Creditors: amounts falling due after one year				
Amounts owed to group undertakings		(2,469)	-	(2,469)
Provisions for liabilities		(224)	-	(224)
Net assets		<u>23,472</u>	<u>20</u>	<u>23,492</u>
Capital and reserves				
Share capital		5,000	-	5,000
Share premium		10,000	-	10,000
Profit and loss account	B, D	8,472	20	8,492
Total equity		<u>23,472</u>	<u>20</u>	<u>23,492</u>

Notes to the financial statements (continued)

at 31 July 2015

20. Transition to FRS 101 (continued)

Group reconciliation of equity at 31 July 2014

	Notes	UK GAAP £000	Adjustments £000	FRS 101 £000
Fixed assets				
Tangible assets	A, B, C	3,202	(284)	2,918
Intangible assets – goodwill	D	3,857	463	4,320
Intangible assets – others	A, B	-	523	523
Investments		2,469	-	2,469
		<u>9,528</u>	<u>702</u>	<u>10,230</u>
Current assets				
Stocks		3,200	-	3,200
Trade and other debtors				
- Amounts falling due after one year		16,031	-	16,031
- Amounts falling due within one year	C	2,616	189	2,805
		<u>21,847</u>	<u>189</u>	<u>22,036</u>
Cash at bank and in hand		862	-	862
		<u>22,709</u>	<u>189</u>	<u>22,898</u>
Creditors: amounts falling due within one year				
Trade and other creditors		(2,993)	(30)	(3,023)
Amounts owed to group undertakings		(752)	-	(752)
		<u>(3,745)</u>	<u>(30)</u>	<u>(3,775)</u>
Net current assets		<u>18,964</u>	<u>159</u>	<u>19,123</u>
Total assets less current liabilities		<u>28,492</u>	<u>861</u>	<u>29,353</u>
Creditors: amounts falling due after one year				
Amounts owed to group undertakings		(2,469)	-	(2,469)
Provisions for liabilities	E	(311)	(67)	(378)
Net assets		<u>25,712</u>	<u>794</u>	<u>26,506</u>
Capital and reserves				
Share capital		5,000	-	5,000
Share premium		10,000	-	10,000
Profit and loss account	B, D, E	10,712	794	11,506
Total equity		<u>25,712</u>	<u>794</u>	<u>26,506</u>

Group reconciliation of total comprehensive income for the year ended 31 July 2014

	Notes	UK GAAP £000	Adjustments £000	FRS 101 £000
Turnover		20,590	-	20,590
Cost of sales		<u>(14,610)</u>	<u>230</u>	<u>(14,380)</u>
Gross profit		5,980	230	6,210
Administrative expenses	B, D	<u>(3,895)</u>	<u>611</u>	<u>(3,284)</u>
Operating profit		2,085	841	2,926
Interest receivable and similar income		918	-	918
Profit on ordinary activities before tax		<u>3,003</u>	<u>841</u>	<u>3,844</u>
Income tax	E	<u>(763)</u>	<u>(67)</u>	<u>(830)</u>
Profit for the year		<u>2,240</u>	<u>774</u>	<u>3,014</u>

Notes to the financial statements (continued)

at 31 July 2015

20. Transition to FRS 101 (continued)

Notes to the company reconciliation of equity as at 1 August 2013 and 31 July 2014 and total comprehensive income for the year ended 31 July 2014. The footnotes explain the material adjustments made between UK GAAP and FRS 101.

A Reclassification of software

Under UK GAAP, software of £63,000 at 31 July 2014 (1 August 2013: £58,000) was classified as tangible assets. On transition to FRS 101, software has been reclassified from tangible assets to intangible assets – others.

B Capitalisation of development costs

Under UK GAAP, development costs of £460,000 at 31 July 2014 (1 August 2013: £113,000) were expensed to the income statement. On transition to FRS 101, development has been capitalised under intangible assets – others.

C Reclassification of fixed asset clearing account

Under UK GAAP, deposits paid for the future purchase of fixed assets of £162,000 at 31 July 2014 (1 August 2013: £nil) were included within fixed assets. On transition to FRS 101, these balances have been reclassified to prepayments.

D Amortisation of Goodwill

Under UK GAAP, goodwill was amortised over its expected useful life, however under FRS 101 goodwill is not amortised rather it is tested for impairment at the end of each financial period, therefore the amortisation charge for the year ended 31 July 2014 of £463,000 has been reversed.

E Deferred tax adjustments

Deferred tax impacts of FRS 101 adjustments stated above (as applicable) have resulted in recognition of additional deferred tax balances in comparison to UK GAAP due to the different methodology applied under IAS 39/IFRS 7.