# The Binding Site Group Limited

## Reports and financial statements

## 30 September 2016

Registered number: 05508774

## Contents

# The Binding Site Group Limited

## Directors and advisors

### The Board of Directors

H D Carr-Smith
S J Harding
D Feger (appointed 09/02/2016)

### Registered office

8 Calthorpe Road
Edgbaston
Birmingham
West Midlands
B15 1QT

### Independent auditors

Ernst & Young LLP
One Colmore Square
Birmingham
B4 6HQ

### Bankers

HSBC Bank plc
120 Edmund Street
Birmingham
B3 2QZ

### Solicitors

Pinsent Masons LLP
3 Colmore Circus Queensway
Birmingham
B4 6BH

# The Binding Site Group Limited

## Strategic Report
for the year ended 30 September 2016

The directors present their Strategic report for the year ended 30 September 2016.

**Review of the business**
The principal activity of The Binding Site Group Limited (the 'Company') during the year continued to be the manufacture and supply of medical diagnostic products. The majority of the Company comprises of UK operations but the Company also has branches in France, Spain and Portugal.

The majority of the Company's turnover is derived from the sale of blood tests to public and private hospitals, laboratories and research institutions. Freelite is the Company's biggest selling product which is used in the diagnosis and monitoring of a severe blood cancer, Multiple Myeloma. The Company also develops and sells a range of tests designed to detect deficiencies in and the performance of a patient's immune system. In addition the Company places its own laboratory instruments, the Optilite and the SPAPLUS, with customers and these placements improve uptake of the Company's tests.

The key financial performance indicators during the year were as follows:

| | 2016<br>£'000 | 2015<br>£'000 | Change<br>£'000 | Change<br>% |
|---|---|---|---|---|
| Revenue | 64,123 | 54,198 | 9,925 | 18.3% |
| Gross profit | 48,913 | 40,885 | 8,028 | 19.6% |
| Operating profit | 28,594 | 15,790 | 12,804 | 81.1% |
| Profit on ordinary activities after taxation | 29,299 | 16,003 | 13,296 | 83.1% |

Given the global nature of the Company, around 44% *(2015: 45%)* of the Company's sales are in US dollars and 31% *(2015: 32%)* are in Euros whereas most of the cost of production is in pounds sterling together with the UK head office functions. Consequently currency fluctuations can influence the underlying results of the business. In the table below revenue is presented on a 'constant currency' basis i.e. removing the impact of year on year currency fluctuations; 2016 revenue has been represented using currency rates of £:$1.25 and £:€1.15.

| | 2016<br>£'000 | 2015<br>£'000 | Change<br>£'000 | Change<br>% |
|---|---|---|---|---|
| Revenue | 70,410 | 63,814 | 6,596 | 10.34% |

**Key highlights for the year include:**

- Following changes to the accounting frameworks applicable in the UK, the Company now reports its results under International Financial Reporting Standards ("IFRS") FRS 101 (Reduced Disclosure Framework) as issued by the International Accounting Standards Board ('IASB') and adopted by the EU. Financial results reported at 30 September 2015 and opening balances as at 1 October 2014 have been restated to reflect any transitional adjustments to IFRS as set out in note 27.

- Implementation of a new ERP system at our UK head office and subsequent roll out to our Spanish and Portuguese offices. Total capitalised as at 30 September 2016 was £2.1m.

- Successful commercial launch of our next generation instrument Optilite in Europe with a comprehensive menu of tests which has been very well received by the market.

- Continued investment in expanding production capacity to cater for future business growth both in terms of the manufacture of raw materials and installation of a new bottling line, total investment to 30 September 2016 was £1m.

- Whilst it is too early to tell what the long term impact of the vote to leave the EU will be on our business, the short term impact has been positive from both a revenue and earnings perspective with pound sterling weakening against most major currencies and given that a relatively small proportion of our revenues are in pound sterling (17% in 2016) compared to 83% of our costs in 2016.

**Future developments**
Looking forward, growth is expected to continue to be driven by the take-up of Freelite, increased adoption of the Hevylite test and roll out of our new instrument, Optilite.

**Principal risks and uncertainties**
The management of the business and the execution of the Company's strategy are subject to a number of risks. Risks are formally reviewed by the board and appropriate measures put in place to monitor and mitigate them. The key business risks affecting the Company are set out below:

a) Competition

   The Company operates in a competitive market particularly concerning quality and price. This results not only in downward pressure on our margins in certain areas, but also in the risk that we will not meet our customers' expectations. To mitigate these risks:

   - The Company routinely monitors the competitive landscape both in terms of new entrants to the market and of new competing technologies; and
   - The Company undertakes weekly and monthly reviews to monitor quality standards employing dedicated and experienced quality and regulatory departments to ensure they are being met.

b) Employees

The Company's performance depends on its managers and staff. The resignation of key individuals and any inability to recruit people with the right experience and skills from the local community could adversely affect the Company's results. To mitigate these issues the Company operates a training programme for all employees and has implemented a number of reward schemes linked to the Company's results and individual performance that are designed to retain key individuals.

c) Supply chain

Given the Company's dependence on certain specialised raw materials, our purchasing team continually monitors supplier performance and actively seeks to ensure alternative supplies are available where possible. The Company also continues to invest in raw material production to ensure that there is sufficient capacity to cope with the current and anticipated business growth.

d) Investments

Given the nature of the Company, there are no significant trading risks or uncertainties facing the Company. The Company holds investments in other companies within the Company. The carrying value of these investments relies on the trading performance of the company invested in. Should trading results deteriorate, there is a risk that the value of the investment may become impaired.

e) Financial risk management

The Company's operations expose it to a variety of financial risks that include exchange risk, credit risk and liquidity risk. The Company uses external derivative financial instruments to manage these risks as appropriate, including:

- As set out in the Review of the business section of this report, due to the international nature of the business, foreign exchange movements can influence the sales and profits of the Company. The majority of revenues are in US Dollars and Euros and should these currencies weaken significantly versus pound sterling, being the currency of our UK head office and production facility, then reported results will be depressed. We monitor this risk on a regular basis.

- The Company has implemented policies that require appropriate assessment of credit limits for potential customers before sales are made.

By order of the board

H D Carr-Smith
Director

3 February 2017

# Directors Report
## for the year ended 30 September 2016

Registered number: 05508774

The directors present their report for the year ended 30 September 2016. Information with regards branches outside of the UK, future developments and financial instruments are included in the Strategic Report as permitted under s414C(11).

**Directors**
The directors, who served the Company during the year and at the date of this report, were as follows:

H D Carr-Smith
S J Harding
D Feger (appointed 09/02/2016)

**Directors' indemnities**
The Company maintains liability insurance for its directors and officers. Following shareholder approval the Company has also provided an indemnity for its directors and the secretary, which is a qualifying third party indemnity provision for the purposes of the Companies Act 2006.

**Research and development**
The Company continues to invest substantially in research and development, progressing major long term projects as well as introducing new products during the period. Significant effort has been focused on developing a wide range of tests for the new Optilite instrument which we anticipate will facilitate customer uptake of the new platform.

**Dividends**
The Company has not paid a dividend in 2016 *(2015: £nil)* to its holding company, The Binding Site Corporation Limited, and no dividends are proposed *(2015: £nil).*

**Employees**
The Company is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, religion, colour, disability or marital status. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

In order to recognise the contribution made by employees in the Company, it supports them in ways such as the operation of a childcare voucher scheme, a cycle to work scheme and the payment of discretionary bonuses.

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Company plays a major role in maintaining its performance. Employees receive a company newsletter which gives Company performance information and updates on key developments as well as regular meetings with their managers.

## Directors Report *continued*

**Going concern**

The directors, having assessed the Cidron (TBS) I Limited group (the highest parent company to produce consolidated accounts in the group) and the Company's financial position, and having assessed the responses of the other companies within the group, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Cidron (TBS) I Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of the assessment of the group and company financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

## Statement of directors' responsibilities in respect of the Reports and the financial statements

The directors are responsible for preparing the Strategic Report, the 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 Company's 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 its profit or loss for that period. 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;

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.

**Statement of disclosure of information to auditors**

In the case of each director in office at the date the Directors' report is approved, the following applies:

a) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

b) he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

By order of the board

H D Carr-Smith

Director

3 February 2017

# Independent auditor's report to the members of The Binding Site Group Limited

We have audited the financial statements of The Binding Site Group Limited for the year ended 30 September 2016 which comprise the Income statement, the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and 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 Statement of Directors' Responsibilities set out on page 8 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 Reports and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 September 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Independent auditor's report to the members of The Binding Site Group Limited *continued*

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

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following 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.

Ernst & Young LLP

Adrian Roberts (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham

3 February 2017

# Income statement
for the year ended 30 September 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| Revenue | 3 | 64,123 | 54,198 |
| Cost of sales | | (15,210) | (13,313) |
| **Gross profit** | | **48,913** | **40,885** |
| Administrative expenses | | (20,319) | (25,095) |
| **Operating profit** | 4 | **28,594** | **15,790** |
| Finance income | 7 | 1,713 | 1,602 |
| Finance costs | 8 | (130) | (173) |
| Investment income | 9 | 1,283 | - |
| **Profit on ordinary activities before taxation** | | **31,460** | **17,219** |
| Tax expense | 10 | (2,161) | (1,216) |
| **Profit for the year** | 21 | **29,299** | **16,003** |

All results for the period ended 30 September 2016 are attributable to continuing operations.

## Statement of comprehensive income
for the year ended 30 September 2016

| | Note | 2016 | 2015 |
|---|---|---|---|
| | | £'000 | £'000 |
| **Profit for the year** | 21 | **29,299** | **16,003** |
| **Other comprehensive (expense)/income:** | | | |
| **Items that cannot be reclassified to profit or loss:** | | | |
| Actuarial losses on defined benefit plans | 23 | (4,154) | (93) |
| Income tax effect | 10 | 723 | 19 |
| | | (3,431) | (74) |
| **Items that can be reclassified to profit or loss:** | | | |
| Exchange differences on translation of foreign operations | 21 | (24) | 47 |
| **Other comprehensive (expense)/income for the year, net of tax** | | **(3,455)** | **(27)** |
| **Total comprehensive income for the year, net of tax** | | **25,844** | **15,976** |

# Statement of financial position
at 30 September 2016

| | Note | 2016 £'000 | 2015 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Property, plant and equipment | 11 | 8,737 | 8,495 |
| Intangible assets | 12 | 10,725 | 9,440 |
| Deferred tax assets | 10 | 1,256 | 676 |
| Investments | 13 | 13,481 | 10,377 |
| | | 34,199 | 28,988 |
| **Current assets** | | | |
| Inventories | 14 | 9,990 | 7,801 |
| Trade and other receivables | 15 | 77,364 | 60,641 |
| Prepayments | | 1,301 | 1,136 |
| Other current financial assets | 16 | 963 | 434 |
| Cash and short term deposits | | 27,144 | 16,725 |
| | | 116,762 | 86,737 |
| **Total assets** | | **150,961** | **115,725** |
| **Current liabilities** | | | |
| Trade and other payables | 17 | (18,767) | (15,436) |
| Other current financial liabilities | 18 | - | (7) |
| Income tax payable | | (1,142) | (613) |
| Accruals | | (4,652) | (3,320) |
| | | (24,561) | (19,376) |
| **Non-current liabilities** | | | |
| Deferred tax liability | 10 | (1,360) | (1,431) |
| Defined benefit pension plan deficit | 23 | (7,388) | (3,110) |
| | | (8,748) | (4,541) |
| **Total liabilities** | | (33,309) | (23,917) |
| **Net assets** | | **117,652** | **91,808** |
| **Capital and reserves** | | | |
| Equity share capital | 20 | 1 | 1 |
| Share premium account | 21 | 12,558 | 12,558 |
| Retained earnings | 21 | 105,070 | 79,202 |
| Foreign currency translation reserve | 21 | 23 | 47 |
| **Total equity** | | **117,652** | **91,808** |

These financial statements were approved by the directors on 3 February 2017 and are signed on their behalf by:

H D Carr-Smith
Director

## Statement of changes in equity
for the year ended 30 September 2016

| | Issued capital (Note 20) | Share premium (Note 21) | Foreign currency translation reserve (Note 21) | Retained earnings (Note 21) | Total Equity |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **At 1 October 2014** | **1** | **12,558** | **-** | **63,273** | **75,832** |
| Profit for the year | - | - | - | 16,003 | 16,003 |
| Other comprehensive income | - | - | 47 | (74) | (27) |
| **Total comprehensive income** | **-** | **-** | **47** | **15,929** | **15,976** |
| **At 30 September 2015** | **1** | **12,558** | **47** | **79,202** | **91,808** |
| Profit for the year | - | - | - | 29,299 | 29,299 |
| Other comprehensive income | - | - | (24) | (3,431) | (3,455) |
| **Total comprehensive income** | **-** | **-** | **(24)** | **25,868** | **25,844** |
| **At 30 September 2016** | **1** | **12,558** | **23** | **105,070** | **117,652** |

# Notes to the financial statements

**1. Authorisation of financial statements and statement of compliance with FRS101**

The financial statements of The Binding Site Group Limited (the "Company") for the year ended 30 September 2016 were authorised for issue by the board of directors on 3 February 2017 and the balance sheet was signed on the board's behalf by Dr Hugh Carr-Smith. The Binding Site Group Limited is incorporated and domiciled in England and Wales.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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 The Binding Site Corporation Limited who are a wholly owned subsidiary of Cidron (TBS) II Limited. The results of all three entities are included in the consolidated financial statements of Cidron (TBS) Midco Limited, the only parent company of Cidron (TBS) II Limited.

The results of The Binding Site Group Limited are also included in the consolidated financial statements of Cidron (TBS) I Limited which are available from 8 Calthorpe Road, Edgbaston, Birmingham, B15 1QT.

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

**2. Accounting policies**

**2.1 Basis of preparation**

For all periods up to and including the year ended 30 September 2015, the Company prepared its financial statements in accordance with United Kingdom generally accepted accounting practice (UK GAAP). Refer to Note 27 for information on how the Company adopted FRS 101.

The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 30 September 2016.

The financial statements have been prepared on a historical cost basis. The carrying values of recognised assets and liabilities that are designated as hedged items in fair value hedges that would otherwise be carried at amortised cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged in effective hedge relationships.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- The Company has applied the transitional provision in IFRS 1 to recognise investments in subsidiaries and joint ventures at 1 September 2014 at deemed cost, being the carrying value under UK GAAP; and
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

# Notes to the financial statements *continued*

**2.2 Going concern**

The directors, having assessed the Cidron (TBS) I Limited group (the highest parent company to produce consolidated accounts in the group) and the Company's financial position, and having assessed the responses of the other companies within the group, have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Cidron (TBS) I Limited group to continue as a going concern or its ability to continue with the current banking arrangements.

On the basis of the assessment of the group and company financial position, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future, thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

**2.3 Changes in accounting policy and disclosures**

***New and amended standards and interpretations adopted by the Company***

The following new and amended IFRS and IFRIC interpretations are mandatory unless otherwise stated and the impact of adoption is described below.

There are no other changes to IFRS effective in 2016 which have a material impact on The Binding Site Group Limited.

***IAS 19 Employee Benefits (Amendment) (Effective 1 3 February 2016)***

IAS 19 has been amended to clarify the requirements that relate to how contributions from employees that are linked to service should be attributed to periods of service. There was no impact on the Company from the amendment of IAS 19.

***IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment) (Effective 1 3 February 2018)***

Clarifies that an entity, in its first IFRS financial statements, has the choice between applying an existing and currently effective IFRS or applying early a new or revised IFRS that is not yet mandatorily effective, provided that the new or revised IFRS permits early application.

The Binding Site Group Limited has applied in these statements those IFRS which are mandatorily effective.

**2.4 Judgements and key sources of estimation uncertainty**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

***Operating lease commitments***

The Company has entered into commercial leases as a lessee to obtain the use of property, plant and equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

# Notes to the financial statements *continued*

**2.4 Judgements and key sources of estimation uncertainty continued**

The following estimates are dependent upon assumptions which could change in the next financial year and have a material effect on the carrying amounts of assets and liabilities recognised at the balance sheet date:

***Impairment of non-financial assets***

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

***Taxation***

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. The Company establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. As the Company assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies. Further details on taxes are disclosed in Note 10.

***Pension and other post-employment benefits***

The cost of defined benefit pension plans and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions which may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population of bonds on which the discount rate is based, on the basis that they do not represent high quality bonds.

The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates for the respective country.

Further details about the assumptions used are given in Note 23.

# Notes to the financial statements *continued*

**2.5 Significant accounting policies**

a) ***Foreign currency translation***

The Company's financial statements are presented in sterling, which is also the UK branch's functional currency. The Company also has branches in France, Spain and Portugal where the functional currency is the Euro.

Transactions in foreign currencies are initially recorded in the branch's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

b) ***Intangible assets***

**Goodwill**

Goodwill is initially measured at cost, being the excess of the acquisition cost over the Company's interest in the assets and liabilities recognized. Goodwill is not amortised, but is reviewed for impairment annually or whenever there is any indication of impairment.

This is a departure from the requirements of the Companies Act 2006 which requires amortisation of goodwill. However, the departure is necessary in order that the financial statements show a true and fair view, as the carrying value of goodwill is not considered to reduce gradually over its life. By recognising any impairment as it arises, this better reflects the true carrying value of the goodwill and is consistent with IFRS. The Group is not able to reliably estimate the impact of non-amortisation on the profit and loss account, because the useful economic life and the pattern of diminishment of the goodwill cannot be reliably predicted.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units (or groups of cash generating units) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Each unit or group of units to which goodwill is allocated shall represent the lowest level within the entity at which the goodwill is monitored for internal management purposes and not be larger than an operating segment before aggregation.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

# Notes to the financial statements *continued*

**2.5 Significant accounting policies *continued***

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the income statement in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the income statement when the asset is derecognised.

**Research and development costs**

Research costs are expensed as incurred. Development expenditures, on an individual project, are 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
- The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

# Notes to the financial statements *continued*

**2.5 Significant accounting policies *continued***

A summary of the policies applied to the Company's intangible assets is as follows:

| | Software | Goodwill | Customer lists | Development costs |
|---|---|---|---|---|
| **Useful lives** | 3-10 years | Indefinite | 5 years | 5 years |
| **Amortisation method used** | Amortised over the period of expected future benefit of the software | No amortisation | Amortised over the period of expected future benefit of the customer lists | Amortised over the period of expected future sales from the related product on a straight-line basis |
| **Internally generated or acquired** | Acquired | Acquired | Acquired | Internally generated |

c) ***Investments***

Investments in subsidiaries, associates and joint ventures are held at historical cost less any applicable provision for impairment.

d) ***Tangible fixed assets***

Property, plant and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Such cost includes the cost of replacing component parts of the property, plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of property, plant and equipment are required to be replaced at intervals, the Company derecognises the replaced part, and recognises the new part with its own associated useful life and depreciation. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statement as incurred. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Depreciation is provided on all property, plant and equipment, other than land, on a straight line basis over its expected useful life as follows:

- Freehold land — Non-depreciable
- Freehold buildings — 20 – 50 years
- Plant & machinery (general) — 4 years
- Plant & machinery (instruments) — 6 years
- Fixtures , fittings and computer equipment — 4 – 6 years
- Motor vehicles — 4 years

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

**2.5 Significant accounting policies *continued***

**e) *Impairment of non-financial assets***

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount in order to determine the extent of the impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses on continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

For assets where an impairment loss subsequently reverses, the carrying amount of the asset or cash generating unit is increased to the revised estimate of its recoverable amount, not to exceed the carrying amount that would have been determined, net of depreciation, had no impairment losses been recognised for the asset or cash generating unit in prior years. A reversal of impairment loss is recognised immediately in the income statement, unless the asset is carried at a revalued amount when it is treated as a revaluation increase.

**f) *Provisions for liabilities***

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

**g) *Leases***

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 October 2014, the date of inception is deemed to be 1 October 2014 in accordance with the IFRS 1.

**Company as a lessee**

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the income statement.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**2.5 Significant accounting policies *continued***

Operating lease payments are recognised as an operating expense in the income statement on a straight-line basis over the lease term.

**h) *Financial instruments***

***Financial assets***

***Initial recognition and measurement***

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial assets at initial recognition.

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.

The Company's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables 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. Such assets are initially recognised at fair value and subsequently measured at amortised cost using the effective interest (EIR) method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance revenue in the income statement. Losses arising from impairment are recognised in the income statement in other operating expenses.

**Held-to-maturity investments**

The Company did not have any held-to-maturity investments during the years ended 30 September 2016 and 2015.

***Financial liabilities***

***Initial recognition and measurement***

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. 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.

## Notes to the financial statements *continued*

**2.5 Significant accounting policies *continued***

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 finance revenue and finance cost.

**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.

***Fair values***

The fair value of financial instruments that are traded in active markets at the reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

i) ***Inventories***

Inventories are valued at the lower of cost and net realisable value, after making allowance for obsolete and slow moving items. Cost comprises direct material and labour costs together with the relevant factory overheads (including depreciation) on the basis of normal activity levels. Raw materials and bought-in-goods are valued on a first in first out basis.

Work in progress is valued on the basis of direct costs plus overheads attributable to the manufacturing process based on normal levels of activity. A provision is made for any foreseeable losses where appropriate to write inventories down to net realisable value where appropriate. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

No element of profit is included in the valuation of work in progress.

j) ***Trade and other receivables***

Trade debtors, which generally have 30-60 day terms, are recognised and carried at the lower of their original invoiced value and recoverable amount. Where the time value of money is material, receivables are carried at amortised cost. Provision for impairment is made through profit or loss when there is objective evidence that the Company will not be able to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**2.5 Significant accounting policies *continued***

**k) *Cash and cash equivalents***

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

**l) *Income taxes***

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet 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:

- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against 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 the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

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, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity. Otherwise income tax is recognised in the income statement.

**m) *Pensions and other post-employment benefits***

The Binding Site Group Limited operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the Company. The scheme is now closed to new and existing members. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognised in retained earnings and are not reclassified to profit or loss in subsequent periods.

The past service costs are recognised as an expense on a straight line basis over the average period until the benefits become vested. If the benefits have already vested, immediately following the introduction of, or changes to, a pension plan, past service costs are recognised immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less past service costs and less the fair value of plan assets out of which the obligations are to be settled. Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value is based on market price information and in the case of quoted securities it is the published bid price. The value of any defined benefit asset recognised is restricted to the sum of any past service costs and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

# Notes to the financial statements *continued*

**2.5 Significant accounting policies *continued***

The Company's accounting policy for defined benefit plans is to recognise actuarial gains and losses in the period in which they occur in full in other comprehensive income in accordance with IAS 19.93A. Accordingly, the Company recognised all cumulative actuarial gains and losses at the date of transition to FRS 101. Further details are disclosed in Note 23.

**n) *Exceptional items***

The Company presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

**o) *Revenue recognition***

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

**Sales of goods**

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods.

Revenue from diagnostic kits and laboratory consumables are recognised when the principal risks and rewards of ownership pass to the customer, typically when the goods are despatched. Revenue from the sale of equipment is typically recognised when the equipment is received by the customer. For maintenance support and service contracts, revenue is recognised on a straight line basis over the term of the contract.

## 3. Revenue

Revenue recognised in the income statement is analysed as follows.

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| United Kingdom | 7,468 | 6,119 |
| Other European Union countries | 22,023 | 18,448 |
| United States of America | 25,712 | 22,215 |
| Rest of World | 8,920 | 7,416 |
| **Total revenue per income statement** | **64,123** | **54,198** |

## Notes to the financial statements *continued*

### 4. Operating profit

This is stated after charging/(crediting):

| | 2016 | 2015 |
|---|---|---|
| Included in administration expenses: | £'000 | £'000 |
| Amortisation of capitalised development costs | 1,307 | 1,540 |
| Impairment of capitalised development costs | 54 | 204 |
| Research and development expenditure expensed | 905 | 817 |
| **Total research and development costs** | **2,266** | **2,561** |
| | | |
| Included in cost of sales: | | |
| Cost of inventories recognised as an expense | 14,603 | 12,869 |
| Depreciation of owned property, plant and equipment | 607 | 444 |
| | | |
| Included in administration expenses: | | |
| Amortisation of capitalised customer lists | - | 66 |
| Amortisation of software | 295 | 85 |
| Depreciation of owned property, plant and equipment | 1,321 | 1,298 |
| Depreciation of assets held under hire purchase agreements | 39 | 93 |
| Profit/(loss) on disposal of tangible fixed assets | 25 | (41) |
| | | |
| Operating lease payments – minimum lease payments: | | |
| Land and buildings | 2,461 | 2,455 |
| Other | 148 | 135 |
| | **2,609** | **2,590** |
| Included in administration expenses: | | |
| Net gain on foreign currency translation | (7,902) | (1,923) |

### 5. Auditors remuneration

The Company paid the following amounts to its auditors in respect of the audit of the financial statements and for other services provided to the Company:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Audit of the financial statements | 81 | 54 |
| Tax compliance services | 46 | 40 |
| Tax advisory services | 23 | 96 |
| Other non-audit services | - | 2 |
| | **150** | **192** |

### 6. Staff costs and directors' remuneration

| ***Staff costs*** | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Wages and salaries | 17,528 | 15,465 |
| Social security costs | 2,015 | 1,752 |
| Other pension costs | 1,009 | 924 |
| | **20,552** | **18,141** |

Included in other pension costs are £nil *(2015: £nil)* in respect of defined benefit schemes and £1,009,000 *(2015: £924,000)* in respect of the defined contribution scheme.

# Notes to the financial statements *continued*

**6. Staff costs and directors' remuneration *continued***

The average monthly number of employees during the year was made up as follows:

| | 2016 | 2015 |
|---|---|---|
| | Number | Number |
| Production and research & development staff | 306 | 271 |
| Sales and marketing staff | 131 | 118 |
| Administrative staff | 81 | 74 |
| | **518** | **463** |

| ***Directors' remuneration*** | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Emoluments receivable | 1,062 | 684 |
| Pension contributions to money purchase schemes | 34 | 54 |

The number of directors who received contributions into money purchase pension schemes was as follows:

| | 2016 | 2015 |
|---|---|---|
| Money purchase scheme | 3 | 3 |

In respect of the highest paid director:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Aggregate remuneration | 452 | 239 |
| Pension contributions to money purchase schemes | 17 | 23 |

Key management are considered to be the directors of the entity.

**7. Finance income**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Bank interest receivable | 22 | 15 |
| Interest receivable on intercompany loans | 1,691 | 1,582 |
| Other interest receivable | - | 5 |
| | **1,713** | **1,602** |

**8. Finance costs**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Interest payable on intercompany loans | 6 | 36 |
| Finance leases and hire purchase contracts | - | 2 |
| Net loss on pension scheme | 124 | 135 |
| | **130** | **173** |

**9. Investment income**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Dividends received from subsidiaries | 1,283 | - |
| | **1,283** | - |

# Notes to the financial statements *continued*

## 10. Taxation

### (a) *Tax charged in the income statement*

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| **Current income tax:** | | |
| UK corporation tax | 2,339 | 684 |
| Amounts underprovided in previous years | (250) | 234 |
| Total current income tax | **2,089** | **918** |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | 247 | 340 |
| Amounts overprovided in previous years | (29) | (42) |
| Impact of change in tax laws and rates | (146) | - |
| Total deferred tax charge | 72 | 298 |
| **Tax expense in the income statement** | **2,161** | **1,216** |

***Tax relating to items charged or credited to other comprehensive income***

| | 2016 | 2015 |
|---|---|---|
| **Current tax:** | | |
| Total current income tax | - | - |
| **Deferred tax:** | | |
| On actuarial losses on defined benefit plans | (723) | (19) |
| Total deferred tax | (723) | (19) |
| **Tax credit in the statement of other comprehensive income** | **(723)** | **(19)** |

### (b) *Reconciliation of the total tax charge*

The tax assessed for the year is *lower (2015: lower)* than the standard rate of corporation tax in the UK for the year of 20% *(2015: 20.5%)* The differences are reconciled below:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Accounting profit before income tax | 31,460 | 17,219 |
| Tax charge on profit on ordinary activities at average rate of 20% *(2015: 20.5%)* | 6,292 | 3,530 |
| Effects of: | | |
| Expenses not deductible for tax purposes | (144) | 605 |
| Non-taxable income | (257) | (438) |
| Tax overprovided in previous years | (279) | 193 |
| Tax losses claimed by other group companies | (3,506) | (2,290) |
| Effect of higher taxes on overseas earnings | 161 | (290) |
| Changes in tax laws and rate | (106) | (47) |
| Total tax expense reported in the income statement | **2,161** | **1,263** |

### (c) *Change in Corporation Tax rate*

The standard rate of Corporation Tax in the UK reduced from 21% to 20% with effect from 1 April 2015. Accordingly the Company's profits for this accounting period are taxed at an effective rate of 20%. A further reduction in the standard rate to 19% with effect from 1 April 2017 was enacted by the balance sheet date and a further reduction in the standard rate to 17% with effect from 1 April 2020 was substantively enacted by the balance sheet date. Deferred tax balances have been stated at a rate of 17% as the impact of balances reversing at other rates are expected to be immaterial.

# Notes to the financial statements *continued*

## 10. Taxation *continued*

### *Deferred tax*

The deferred tax included in the Company balance sheet is as follows:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| ***Deferred tax liability*** | | |
| Accelerated capital allowances | (1,360) | (1,431) |
| | **(1,360)** | **(1,431)** |
| ***Deferred tax asset*** | | |
| Pensions and post-employment medical benefits | 1,256 | 622 |
| Other timing differences | - | 54 |
| | **1,256** | **676** |
| ***Disclosed on the balance sheet*** | | |
| Deferred tax asset | 1,256 | 676 |
| Deferred tax liability | (1,360) | (1,431) |
| | **(104)** | **(755)** |

| | 2016 | 2015 |
|---|---|---|
| ***Deferred tax in the income statement*** | £'000 | £'000 |
| Accelerated capital allowances | (71) | 161 |
| Tax losses carried forward | 54 | 3 |
| Pension plans and other post-employment medical benefits | 89 | 134 |
| Deferred tax (credit)/expense | **72** | **298** |

## The Binding Site Group Limited

## Notes to the financial statements *continued*

**11. Property, plant and equipment**

| | Freehold land and buildings | Plant and machinery | Fixtures, fittings and computer equipment | Motor vehicles | Assets under course of construction | Total |
|---|---|---|---|---|---|---|
| ***Cost*** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| At 1 October 2015 | 5,516 | 8,320 | 2,703 | 509 | 940 | 17,988 |
| Additions | 23 | 1,605 | 212 | 113 | 157 | 2,110 |
| Disposals | - | (304) | (70) | (138) | - | (512) |
| Transfers | (46) | 585 | 401 | - | (940) | - |
| Currency effects | 18 | 335 | 77 | - | - | 430 |
| **At 30 September 2016** | **5,511** | **10,541** | **3,323** | **484** | **157** | **20,016** |
| ***Depreciation and impairment*** | | | | | | |
| At 1 October 2015 | 2,505 | 5,162 | 1,589 | 237 | - | 9,493 |
| Charge for the period | 290 | 1,129 | 435 | 113 | - | 1,967 |
| Transfers | (169) | - | 169 | - | - | - |
| On disposals | - | (217) | (69) | (104) | - | (390) |
| Currency effects | 13 | 142 | 54 | - | - | 209 |
| **At 30 September 2016** | **2,639** | **6,216** | **2,178** | **246** | **-** | **11,279** |
| ***Carrying amount*** | | | | | | |
| **At 30 September 2016** | **2,872** | **4,325** | **1,145** | **238** | **157** | **8,737** |
| At 30 September 2015 | 3,011 | 3,158 | 1,114 | 272 | 940 | 8,495 |

## 11. Property, plant and equipment *continued*

***Assets held under finance leases***

The carrying value of plant and equipment held under finance leases and hire purchase contracts at 30 September 2016 was £nil *(2015: £9,000)*. Additions during the year include £nil *(2015: £nil)* of plant and equipment held under finance leases and hire purchase. Leased assets and assets under hire purchase contracts are pledged as security for the related finance lease and hire purchase liabilities.

## 12. Intangible assets

| | Software | Customer lists | Development costs | Goodwill | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| ***Cost*** | | | | | |
| At 1 October 2015 | 3,004 | 795 | 11,427 | 351 | 15,577 |
| Additions | 999 | - | 1,922 | - | 2,921 |
| Disposals | (16) | - | (1,759) | - | (1,775) |
| Exchange differences | 30 | - | - | - | 30 |
| **At 30 September 2016** | **4,017** | **795** | **11,590** | **351** | **16,753** |
| ***Depreciation and impairment*** | | | | | |
| At 1 October 2015 | 618 | 795 | 4,724 | - | 6,137 |
| Charge for the year | 295 | - | 1,307 | - | 1,602 |
| Impairment | - | - | 54 | - | 54 |
| Disposal | (16) | - | (1,759) | - | (1,775) |
| Exchange differences | 10 | - | - | - | 10 |
| **At 30 September 2016** | **907** | **795** | **4,326** | **-** | **6,028** |
| ***Carrying amount*** | | | | | |
| **At 30 September 2016** | **3,110** | **-** | **7,264** | **351** | **10,725** |
| At 30 September 2015 | 2,386 | - | 6,703 | 351 | 9,440 |

***Goodwill***

Goodwill acquired through business combinations has been allocated to one cash-generating unit for impairment testing. The cash-generating unit is considered to be the Company as a whole, which is also the primary operating and reportable segment, as each individual overseas branch's performance is dictated by prices imposed by The Binding Site Group Limited UK head office.

The Company performed its annual impairment test as at 30 September 2016. The recoverable amount of the cash-generating unit (the Company) has been determined based on a value in use calculation using a one year cash flow projection from the financial budget approved by senior management. A discount rate of 12.0% per annum *(2015: 12.0%)* has been applied, and cash flows beyond the one year budget have been extrapolated using a 3.2% growth rate *(2015: 3.1%)*. As a result of this analysis, management has not recognised an impairment charge against goodwill *(2015: nil)*.

## Notes to the financial statements *continued*

### *12.* Intangible assets *continued*

**Key assumptions used in value in use calculations**

The calculation of value in use is most sensitive to the following assumptions:

- Sales growth
- Discount rates
- Terminal value growth rate

Sales growth — Budgeted sales growth from 2015 to 2016, assuming constant exchange rates, is 11.9%. This compares to an achieved CAGR from 2013 to 2016, at the same constant exchange rates, of 11.7%

Discount rates — The discount rate for the Company is the estimated weighted average cost of capital (WACC), taking into account both debt and equity. The cost of equity is estimated based on the expected return on investment by the Company's investors. The cost of debt is based on the interest bearing borrowings the Company is obliged to service.

Terminal value growth rate estimates — Rates are based on published industry research.

**Sensitivity to changes in assumptions**

With regard to the assessment of value in use, management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the Company to materially exceed its recoverable amount.

### 13. Investments – non current

| | Total<br>£'000 |
|---|---|
| **Cost and net book value** | |
| At 1 October 2015 | 10,377 |
| Additions | 3,104 |
| At 30 September 2015 | **13,481** |

The additions during the year relate to an increase in investment in The Binding Site VT Inc.

# Notes to the financial statements *continued*

## 13. Investments – non current *continued*

***Details of Group undertakings***

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital at 30 September 2016 and 2015 are as follows:

| | Country of incorporation | Holding | Proportion of voting rights held | Nature of business |
|---|---|---|---|---|
| The Binding Site Inc. | USA | Ordinary shares | 100% (Indirect) | Supply of medical and biological products |
| The Binding Site GmbH | Germany | Ordinary shares | 100% (Indirect) | Supply of medical an biological products |
| The Binding Site VT Inc. | USA | Ordinary shares | 100% (Direct) | Supply of antisera to the parent company |
| TBS Howard Hill L.L.C. | USA | Ordinary shares | 100% (Indirect) | Supply of antisera to the parent company |
| The Binding Site S.R.O. | Czech Republic | Ordinary shares | 90% (Direct) | Supply of medical and biological products |
| The Binding Site Benelux | Belgium | Ordinary shares | 100% (Direct) | Supply of medical and biological products |
| The Binding Site S.R.L. | Italy | Ordinary shares | 100% (Direct) | Supply of medical and biological products |
| The Binding Site Holding GmbH | Germany | Ordinary Shares | 100% (Direct) | Holding company |
| The Binding Site Holding Inc. | USA | Ordinary Shares | 100% (Direct) | Holding company |
| TBS Brazil Ltda. | Brazil | Ordinary Shares | 99% (Direct) | Supply of medical and biological products |

## 14. Inventories

| | 2016 | 2015 |
|---|---|---|
| | **£'000** | **£'000** |
| Raw materials | 1,219 | 818 |
| Work in progress | 6,592 | 5,532 |
| Finished goods | 2,179 | 1,451 |
| | **9,990** | **7,801** |

## 15. Trade and other receivables

| | 2016 | 2015 |
|---|---|---|
| | **£'000** | **£'000** |
| Trade receivables | 6,522 | 4.914 |
| Amounts owed by group undertakings | 70,842 | 55,727 |
| | **77,364** | **60,641** |

**16. Other current financial assets**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Directors loans | 130 | 127 |
| Other receivables | 833 | 307 |
| | **963** | **434** |

**17. Trade and other payables**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Trade payables | 2,054 | 1,709 |
| Amounts due to group undertakings | 15,797 | 13,037 |
| Other tax and social security | 916 | 690 |
| | **18,767** | **15,436** |

Trade creditors are non-interest bearing and are normally settled on 30-day terms.

**18. Other current financial liabilities**

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| Obligations under leases and hire purchase contracts | - | 7 |
| | **-** | **7** |

**19. Obligations under leases and hire purchase contracts**

***Finance lease agreements when the Company is Lessee***

The Company uses finance leases and hire purchase contracts to acquire office equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the lessee. Future minimum lease payments under finance leases and hire purchase contracts are as follows:

| | 2016 | 2015 |
|---|---|---|
| | £'000 | £'000 |
| *Future minimum lease payments due:* | | |
| Not later than one year | - | 7 |
| After one year but not more than five years | - | - |
| | - | 7 |
| Less finance charges allocated to future periods | - | - |
| Present value of minimum lease payments | **-** | **7** |
| | | |
| The present value of minimum lease payments is analysed as follows: | | |
| Not later than one year | - | 7 |
| After one year but not more than five years | - | - |
| | **-** | **7** |

# Notes to the financial statements *continued*

## 19. Obligations under leases and hire purchase contracts *continued*

***Operating lease agreements where the Company is lessee***

The Company has entered into commercial leases on commercial property. These leases have an average life of between one and seven years with a renewal option included in the contracts in the majority of cases. The Company has also entered into commercial leases on certain motor vehicles. These leases have an average life of between four and five years. There are no restrictions placed upon the Company by entering into these leases.

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

| | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Land and buildings** | **Other** | **Land and buildings** | **Other** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Leases expiring within one year | 2,451 | 2,455 | 143 | 106 |
| After one year but not more than five years | 4,773 | 137 | 155 | 78 |
| After five years | - | - | - | - |
| | **7,224** | **2,592** | **298** | **184** |

## 20. Authorised, issues and called up share capital

| *Authorised* | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Number** | **£** | **Number** | **£** |
| Ordinary shares of £0.01 each | 105,000 | 1,050 | 105,000 | 1,050 |

| *Allotted, called up and fully paid* | 2016 | | 2015 | |
|---|---|---|---|---|
| | **Number** | **£** | **Number** | **£** |
| Ordinary shares of £0.01 each | 95,024 | 950 | 95,024 | 950 |

## 21. Reserves

| | **Share premium** | **Foreign currency translation reserve** | **Retained Earnings** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Balance brought forward at 1 October 2015 | 12,558 | 47 | 79,202 |
| Profit for the year | - | - | 29,299 |
| Defined benefit pension scheme actuarial loss | - | - | (4,154) |
| Deferred tax on defined benefit pension scheme actuarial loss | - | - | 723 |
| Exchange rate translation differences | - | (24) | - |
| **Balance carried forward at 30 September 2016** | **12,558** | **23** | **105,070** |

## 22. Capital commitments

At 30 September 2016 amounts contracted for but not provided in the financial statements for the acquisition of property, plant and equipment amounted to £nil *(2015: £345,000).*

**23. Pensions and other post-employment benefits**

The Company operates a closed pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with insurance companies. The expected average duration of the scheme is 25 years *(2015: 25 years).* The scheme is operated by The Binding Site Group Limited.

The scheme is managed by a professional trustee. The trustees have responsibility for obtaining valuations of the scheme, administering benefit payments and investing the scheme's assets.

The following table summarises the principal risks associated with the Company's defined benefit arrangements:

| | |
|---|---|
| Investment Risk | To the extent that the return on plan assets is lower than the discount rate, the pension surplus may reduce and the deficit may increase. |
| Interest Rate Risk | A fall in bond yields would increase the value of the liabilities. This would be only partially offset by an increase in the value of bond investments held. |
| Inflation Risk | An increase in inflation would increase the value of pension liabilities. |
| Longevity Risk | The present value of the defined benefit liabilities is calculated having regards to a best estimate of the mortality of plan members. If members are expected to live longer, this will increase the liabilities. |

The assets and liabilities of the schemes at 30 September are:

| | **2016** | **2015** |
|---|---|---|
| *Scheme assets at fair value* | **£'000** | **£'000** |
| Diversified growth fund | 12,439 | 11,173 |
| Cash | 12 | 57 |
| Fair value of scheme assets | 12,451 | 11,230 |
| Present value of scheme liabilities | (19,839) | (14,340) |
| **Defined benefit pension plan liability** | **(7,388)** | **(3,110)** |

The pension schemes have not invested in any of the Company's own financial instruments nor in properties or other assets used by the Company.

The amounts recognised in the Income Statement and in the Statement of Comprehensive Income for the year are analysed as follows:

| | **2016** | **2015** |
|---|---|---|
| ***Recognised in income statement*** | **£'000** | **£'000** |
| Interest cost on benefit obligation | (573) | (567) |
| Expected return on plan assets | 449 | 432 |
| Recognised in arriving at operating profit | **(124)** | **(135)** |

The total charge is included in finance costs.

| | | |
|---|---|---|
| Net interest on defined benefit liability | (124) | (135) |
| ***Taken to statement of comprehensive income*** | | |
| Return on plan assets (excluding amounts included in interest expense) | 796 | (141) |
| Experience gains on liabilities | 538 | 294 |
| Actuarial changes arising from changes in demographic assumptions | 996 | 130 |
| Actuarial changes arising from changes in financial assumptions | (6,484) | (376) |
| Recognised in statement of comprehensive income | **(4,154)** | **(93)** |

# Notes to the financial statements *continued*

## 23. Pensions and other post-employment benefits *continued*

Changes in the present value of the defined benefit pension obligations are analysed as follows:

| | Total |
|---|---|
| | £'000 |
| As at 1 October 2014 | 13,840 |
| Interest on benefit obligation | 567 |
| Benefits paid | (19) |
| Actuarial gain | (48) |
| **Defined benefit obligation at 30 September 2015 and 1 October 2015** | **14,340** |
| Interest paid on benefit obligation | 573 |
| Benefits paid | (24) |
| Actuarial loss | 4,950 |
| **Defined benefit obligation at 30 September 2016** | **19,839** |

Changes in the fair value of plan assets are analysed as follows:

| | Total |
|---|---|
| | £'000 |
| As at 1 October 2014 | 10,158 |
| Expected return on assets | 432 |
| Contributions by employer | 800 |
| Benefits paid | (19) |
| Actuarial loss | (141) |
| **Defined benefit assets at 30 September 2015 and 1 October 2015** | **11,230** |
| Expected return on assets | 449 |
| Benefits paid | (24) |
| Actuarial loss | 796 |
| **Defined benefit assets at 30 September 2016** | **12,451** |

The Group does not expect to contribute to its defined benefit pension plan in 2017.

The principal assumptions used in determining pension benefit obligations for the Company's plans are shown below:

| *Main assumptions:* | 2016 | 2015 |
|---|---|---|
| Discount rate | 2.40% | 4.00% |
| Salary increases | 3.25% | 3.50% |
| Inflation | 3.25% | 3.50% |
| LPI pension increases | 3.25% | 3.50% |
| Mortality pre-retirement | S2NA tables based on year of birth with CMI projections and long term improvement of 1.5% pa | S2NA tables based on year of birth with CMI projections and long term improvement of 1.5% pa |
| Mortality post retirement | S2NA tables based on year of birth with CMI projections and long term improvement of 1.5% pa | S2NA tables based on year of birth with CMI projections and long term improvement of 1.5% pa |
| Tax free cash | 100% of members assumed to commute 25% of their pension for cash on retirement | 50% of members assumed to commute 25% of their pension for cash on retirement |
| Assumed retirement age | 65 | 65 |

**23. Pensions and other post-employment benefits *continued***

The following illustrates the sensitivity of the value of the liabilities to changes in key assumptions:

| Adjustment to assumptions | Approximate effect on liabilities |
|---|---|
| **Discount rate** | |
| Plus 0.5% | -12% |
| Minus 0.5% | +15% |
| **Inflation assumption** | |
| Plus 0.5% | +13% |
| Minus 0.5% | -11% |
| **Life expectancy** | |
| Broadly less 1 year | -2% |
| Broadly plus 1 year | +2% |

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method as the end of the reporting period) has been applied as when calculating the pension liability recognised with the consolidated balance sheet. The methods and assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

**24. Directors' loans and other directors' interests**

The Company has a loan in place with a director. The loan is repayable within three years from the date of disbursement. The loan is unsecured at an interest rate is at 4%. Any loans granted to directors are included in financial instruments on the face of the statement of financial position. The amount of the liability outstanding at the end of the year is £102,000. Interest charged in the year amounted to £1,632, with no repayments being made in the year. During 2015, an unsecured 4% loan was made to a director. The amount of the liability to the Company at 30 September 2015 was £127,000 *(2014: £11,000).* Interest charged during the year amounted to £4,000. This loan was repaid in full in 2016.

The maximum outstanding balance on during the year was £127,000 *(2015: £127,000).*

**25. Other related party transactions**

During the year the Company entered into transactions, in the ordinary course of business, with other related parties. Those transactions with directors are disclosed in note 24. The Company has taken advantage of the exemption under paragraph 8(k) of FRS101 not to disclose transactions with fellow wholly owned subsidiaries.

**Other directors' interests**

During 2015, purchases at normal market prices were made from Cool Fish Communications Limited to the value of £1,050. There were no transactions made to this company in 2016. The brother of one of the directors of the Company is a director and controlling shareholder of this company.

***Terms and conditions of transactions with related parties***

The sales to and purchases from related parties are made at terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 30 September 2016, the Company has not recorded any impairment of receivables relating to amounts owed by related parties (*2015: £nil*). This assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates.

# Notes to the financial statements *continued*

**26. Ultimate group undertaking**

The ultimate controlling party of the Company is Nordic Capital VII, based in Jersey, by virtue of their controlling interest in the parent company. The immediate parent undertaking of the Company is The Binding Site Corporation Limited.

Cidron (TBS) I Limited is the highest parent company to produce consolidated accounts in the Group. Copies of the Group consolidated financial statements of Cidron (TBS) I Limited, are available from the Chief Financial Officer, Cidron (TBS) I Limited, 8 Calthorpe Road, Edgbaston, Birmingham, B15 1QT or Companies House.

The smallest group in which the results of the Company are consolidated is that of which Cidron (TBS) Midco is the parent company. Copies of the consolidated financial statements of Cidron (TBS) Midco Limited, are available from the Chief Financial Officer, Cidron (TBS) Midco Limited, 8 Calthorpe Road, Edgbaston, Birmingham, B15 1QT or Companies House.

**27. Transition to FRS 101**

The financial statements for the year ended 30 September 2016 are the first the Company has prepared in accordance with FRS 101. For periods up to and including the year ended 30 September 2015, the Company prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP).

In preparing these financial statements, the Company's opening balance sheet was prepared as at 1 October 2014, the Company's date of transition to FRS 101. This note explains the principal adjustments made by the Company in restating its UK GAAP statement of financial position as at 1 October 2014 and its previously published UK GAAP financial statements as at and for the year ended 30 September 2015.

**Exemptions applied**

IFRS 1 allows first-time adopters certain exemptions from the general requirement to apply IFRS as effective for 30 December 2016 year ends retrospectively. The Company has taken the following exemptions:

- The Company has applied the transitional provision in IFRS 1 to recognise investments in subsidiaries and joint ventures at 1 September 2014 at deemed cost, being the carrying value under UK GAAP; and
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets

## Notes to the financial statements *continued*

### 27. Transition to FRS 101 *continued*

| **Reconciliation of equity as at 1 October 2014** | **Note** | **UK GAAP £'000** | **Re-measurements £'000** | **FRS 101 £'000** |
|---|---|---|---|---|
| **Fixed assets** | | | | |
| Property, plant and equipment | A | 10,021 | (1,811) | 8,210 |
| Intangible assets | A | 6,925 | 1,811 | 8,736 |
| Deferred tax assets | | 736 | - | 736 |
| Investments | | 9,039 | - | 9,039 |
| | | 26,721 | - | 26,721 |
| **Current assets** | | | | |
| Inventories | | 6,454 | - | 6,454 |
| Trade and other receivables | | 49,258 | - | 49,258 |
| Prepayments | | 1,253 | - | 1,253 |
| Other current financial assets | | 134 | - | 134 |
| Cash and short term deposits | | 13,651 | - | 13,651 |
| | | 70,750 | - | 70,750 |
| **Total assets** | | **97,471** | **-** | **97,471** |
| **Current liabilities** | | | | |
| Trade and other payables | | (13,860) | - | (13,860) |
| Other current financial liabilities | | (26) | - | (26) |
| Income tax payable | | (246) | - | (246) |
| Accruals | B | (2,532) | (74) | (2,606) |
| | | (16,664) | (74) | (16,738) |
| **Non-current liabilities** | | | | |
| Financial liabilities | | (7) | - | (7) |
| Deferred tax liability | | (1,212) | - | (1,212) |
| Defined benefit pension plan deficit | | (3,682) | - | (3,682) |
| | | (4,901) | - | (4,901) |
| **Total liabilities** | | **(21,565)** | **(74)** | **(21,639)** |
| **Net assets** | | **75,906** | **(74)** | **75,832** |
| **Capital and reserves** | | | | |
| Called up share capital | | 1 | - | 1 |
| Share premium | | 12,558 | - | 12,558 |
| Retained earnings | B | 63,347 | (74) | 63,273 |
| **Total equity** | | **75,906** | **(74)** | **75,832** |

# Notes to the financial statements *continued*

**27. Transition to FRS 101 *continued***

| **Reconciliation of equity as at 30 September 2015** | | **UK GAAP** | **Reclassifications** | **FRS 101** |
|---|---|---|---|---|
| | **Note** | **£'000** | **£'000** | **£'000** |
| **Non- current assets** | | | | |
| Property, plant and equipment | A | 10,881 | (2,386) | 8,495 |
| Intangible assets | A,C | 7,033 | 2,407 | 9,440 |
| Deferred tax assets | F | 622 | 54 | 676 |
| Investments | | 10,377 | - | 10,377 |
| | | 28,913 | 75 | 28,988 |
| **Current assets** | | | | |
| Inventories | | 7,801 | - | 7,801 |
| Trade and other receivables | | 60,641 | | 60,641 |
| Prepayments | | 1,136 | | 1,136 |
| Other current financial assets | D | 3,449 | (3,015) | 434 |
| Cash and short term deposits | D | 13,710 | 3,015 | 16,725 |
| | | 86,737 | - | 86,737 |
| **Total assets** | | **115,650** | **75** | **115,725** |
| **Current liabilities** | | | | |
| Trade and other payables | | (15,436) | - | (15,436) |
| Other current financial liabilities | | (7) | - | (7) |
| Income tax payable | | (613) | - | (613) |
| Accruals | B | (3,192) | (128) | (3,320) |
| | | (19,248) | (128) | (19,376) |
| **Non-current liabilities** | | | | |
| Deferred tax liability | F | (1,376) | (55) | (1,431) |
| Defined benefit pension plan deficit | | (3,110) | - | (3,110) |
| | | (4,486) | (55) | (4,541) |
| **Total liabilities** | | **(23,734)** | **(183)** | **(23,917)** |
| **Net assets** | | **91,916** | **(108)** | **91,808** |
| **Capital and reserves** | | | | |
| Called up share capital | | 1 | - | 1 |
| Share premium | | 12,558 | - | 12,558 |
| Retained earnings | B,C,E | 79,357 | (155) | 79,202 |
| Foreign currency translation reserve | E | - | 47 | 47 |
| **Total equity** | | **91,916** | **(108)** | **91,808** |

**27. Transition to FRS 101 *continued***

**A. Computer software**

Under UK GAAP, all capitalised computer software was included within tangible fixed assets. Under FRS 101, capitalised computer software must be presented as an intangible asset if it is not integral to an item of property, plant and equipment. As at 1 October 2015, non-integral computer software with a carrying amount of £2,386k *(1 October 2014: £1,811k)* was transferred from property, plant and equipment to intangible assets.

**B. Employee benefits**

IAS 19: Employee Benefits requires the Company to recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service, and should recognise a liability after deducting any amount already paid. As such, the Company recognised an employee benefit liability as at 1 October 2015 of £128k *(1 October 2014: £74k)* in respect of accrued holiday pay for employees.

**C. Reversal of 2015 Goodwill amortisation**

Under UK GAAP, capitalised goodwill was amortised over its useful economic life. Under FRS 101, this goodwill is no longer amortised but is tested at least annually for impairment. The impairment tests carried out by the Company in accordance with FRS 101 as at the transition date of 1 October 2014 and 1 October 2015 identified no impairment loss. Goodwill amortisation charged under UK GAAP during 2015 was £21k and this amount is credited back to the Income Statement under FRS 101.

**D. Reclassify short term deposits to cash equivalents**

Under UK GAAP, cash held in a 32-day notice high interest deposit account £3,015,000 as at 30 September 2015 *(1 October 2014: £nil)* was classified as a current asset, as the cash could not be called on without penalty within 24 hours. Under IFRS, the amount deposited has been reclassified as 'cash and cash equivalents' as it falls under the definition of a cash equivalent on the basis that it has a short maturity of three months or less.

**E. Cumulative translation differences**

Under UK GAAP, translation differences on the conversion of the results and financial performance of subsidiaries with foreign currencies were rolled into the Profit and Loss Reserve in the Statement of Total Recognised Gains and Losses. Under FRS 101, translation differences are shown as a separate component within equity. Under the provisions of IFRS 1: First time adoption of IFRS, this has been set to nil at 1 October 2014. At 1 October 2015, translation differences of £47k have been reclassified from retained earnings to other components of equity.

**F. Deferred tax**

Under IAS 12, deferred tax is recognised on a temporary difference basis. The deferred tax balances have therefore been adjusted due to the temporary differences. As a result of adopting IAS12 an additional deferred asset of £54,000 (*1 October 2014: £nil)* and an additional deferred tax liability of £54,*000 (1 October 2014: £nil)* has been recognised at 30 September 2015.

## Notes to the financial statements *continued*

### 27. Transition to FRS 101 *continued*

#### G. Defined benefit pension

The defined benefit pension liability calculation was recalculated by our appointed actuaries, Barnett Waddingham. Under IFRS, the expected rate of return on assets is based on the discount rate assumption in accordance with IAS19. In 2015 this has had the effect of reducing the interest received on the defined benefit pension by £254,000 and reducing the actuarial loss on the pension by £254,000. Furthermore, finance income on plan assets has been netted off against the interest on the liabilities within finance costs in the Consolidated income statement, reducing finance income by £119,000 and thus reducing finance costs equivalently.