

**BANDAI NAMCO Entertainment UK Limited**

**Annual report and financial statements**

**Registered number 2133521**

**31 March 2016**

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## Strategic report

### Principal activities and business review

The company's principal activity during the year was the publishing and distribution of interactive entertainment software. The company's directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The ultimate parent company, Bandai Namco Holdings Inc. manages its operations as a unified business. For this reason the directors believe that key performance indicators are not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of Bandai Namco Holdings Inc., which includes this company, is discussed in the Group's annual report, which does not form part of these statements.

The profit for the year, after taxation, was £2,211,372 (2015: £1,178,392). The continued profitability of the company for the current year is due to a continued strong roster of titles and continued growth in digital revenue providing enough funds to leave a healthy profit after deducting the relatively fixed overhead cost base. This level of profitability is forecast to be maintained next year based on the current list of new releases.

### Principal risks and uncertainties

The company's purchases from Europe and the rest of the world are made in foreign currency and the company is therefore exposed to the movement of these currencies against the Sterling exchange rate. Bandai Namco Entertainment Europe SAS (formerly Bandai Namco Games Europe SAS), an immediate parent company, manages this risk at a group level and so the company does not take out any forward contracts to limit this exposure at a company level.

The company does not have overdraft arrangements and therefore is not subject to interest rate risk exposure.

The liquidity of the company is managed at a group level by its immediate parent company, Bandai Namco Entertainment Europe SAS, from whom it purchases a large portion of its products. Payments are made to this company when surplus cash arises and any balance overdue is converted into a loan until such cash is available. Any loan created is at any time repayable on demand.

By order of the board



Mark Passam  
Director

28 JUNE

2016

Landmark House  
Hammersmith Bridge Road  
London  
W6 9EJ

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2016.

### Results and dividends

The profit for the year, after taxation, was £2,211,372 (2015: £1,178,392). The directors do not recommend the payment of a dividend (2015: £nil).

### Directors

The directors who held office during the year, and to the date of this report, were as follows:

N Katashima  
J Galloway  
M Passam

### Going concern

The company has made a profit in the current year and prior year and is in a net asset position. Therefore the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

### Political and charitable contributions

The company made no political contributions during the year (2015: £nil). Donations to UK charities during the year amounted to £nil (2015: £nil).

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

Pursuant to Section 487 of the Companies Act 2006 the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board



Mark Passam  
Director

Landmark House  
Hammersmith Bridge Road  
London  
W6 9EJ

28 JUNE

2016

Registered number 2133521

## **Statement of Directors' responsibilities in respect of the Strategic report, the Directors' report 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **Independent Auditor's Report to the Members of BANDAI NAMCO Entertainment UK Limited**

We have audited the financial statements of BANDAI NAMCO Entertainment UK Limited for the year ended 31 March 2016 set out on pages 7 to 19. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **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 31 March 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

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

### **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



**Independent Auditor's Report to the Members of BANDAI NAMCO Entertainment UK Limited** *(continued)*

- 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.

T.S. ~~100~~

**Timothy Rush (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor  
*Chartered Accountants*  
KPMG LLP  
15 Canada Square  
London  
E14 5GL

Date: 29<sup>th</sup> June 2016

## Statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 March 2016

	Note	2016 £	2015 £
Revenue	2	33,385,896	12,998,860
Cost of sales		(25,307,466)	(8,753,041)
<b>Gross profit</b>		<b>8,078,430</b>	<b>4,245,819</b>
Distribution costs		(3,989,014)	(1,817,568)
Administrative expenses		(1,943,310)	(1,777,500)
<b>Operating profit</b>		<b>2,146,106</b>	<b>650,751</b>
Financial income	6	1,906	1,555
<b>Profit before tax</b>	3	<b>2,148,012</b>	<b>652,306</b>
Taxation credit	7	63,360	526,086
<b>Total comprehensive income for the year</b>		<b>2,211,372</b>	<b>1,178,392</b>

The company results stated above are all derived from continuing operations.

The notes on pages 10 to 19 form part of these financial statements.

## Balance sheet

at 31 March 2016

	Note	2016 £	2015 £
<b>Non-current assets</b>			
Property, plant and equipment	8	39,926	57,332
Deferred tax assets	9	558,000	494,640
		<u>597,926</u>	<u>551,972</u>
<b>Current assets</b>			
Inventories	10	4,453,602	1,100,193
Trade and other receivables	11	1,744,987	2,588,051
Cash and cash equivalents	12	5,274,099	529,378
		<u>11,472,688</u>	<u>4,217,622</u>
<b>Total assets</b>		<u>12,070,614</u>	<u>4,769,594</u>
<b>Current liabilities</b>			
Trade and other payables	13	7,769,320	2,679,672
Provisions	14	145,028	145,028
		<u>7,914,348</u>	<u>2,824,700</u>
<b>Total liabilities</b>		<u>7,914,348</u>	<u>2,824,700</u>
<b>Net assets</b>		<u>4,156,266</u>	<u>1,944,894</u>
<b>Equity</b>			
Share capital	15	28,000,000	28,000,000
Share premium		461,997	461,997
Retained earnings		(24,305,731)	(26,517,103)
		<u>4,156,266</u>	<u>1,944,894</u>
<b>Total equity</b>		<u>4,156,266</u>	<u>1,944,894</u>

The notes on pages 10 to 19 are an integral part of these financial statements.

These financial statements were approved by the board of directors on 28 ~~June~~ 2016 and were signed on its behalf by:



Mark Passam  
Director

Company registered number: 2133521

## Statement of Changes in Equity

	Called up share capital £	Share Premium Account £	Profit and loss account £	Total equity £
Balance at 1 April 2015	28,000,000	461,997	(26,517,103)	1,944,894
<b>Total comprehensive income for the period</b>				
Profit or loss			2,211,372	2,211,372
<b>Total comprehensive income for the period</b>			2,211,372	2,211,372
<b>Balance at 31 March 2016</b>	<b>28,000,000</b>	<b>461,997</b>	<b>(24,305,731)</b>	<b>4,156,266</b>

The notes on pages 10 to 19 are an integral part of these financial statements.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

BANDAI NAMCO Entertainment UK Limited is a company incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In the transition to FRS 101, the Company has made no measurement and recognition adjustments.

The Company's ultimate parent undertaking, Bandai Namco Holdings Inc. includes the Company in its consolidated financial statements. The consolidated financial statements of Bandai Namco Holdings Inc. are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office at 4-5-15, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8590, Japan.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital and tangible fixed assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs; and
- Disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Bandai Namco Holdings Inc. include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosure:

- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 Financial Instrument Disclosures

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements. Judgements made by the directors, in the application of these accounting policies that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 19.

#### **Measurement convention**

The financial statements are prepared on the historical cost. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

#### **Going concern**

The Company has prepared its financial statements on a going concern basis taking into account its annual budget and cash flow forecast and considering the sensitivities around the assumptions made in the forecasts. The company has made a profit in the current year and is in a net asset position. Therefore the Company considers it has adequate resources to continue in operational existence for the foreseeable future.

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies (continued)

#### *Property, plant and equipment*

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Short-term leasehold improvements	-	Over the term of the lease
Plant and equipment	-	4 years
Fixtures, fittings	-	4 years
Motor vehicles	-	4 years

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

#### *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is based on the weighted average principle and includes all expenditure incurred in acquiring the inventories, production or conversion costs and other costs in bringing them to their existing location and condition. Net realisable value is based on estimated selling price less all further costs to completion and all relevant marketing, selling and distribution costs.

#### *Revenue*

Revenue represents amounts derived from the provision of goods and services which fall within the company's ordinary activities after deduction of trade discounts and value added tax. The turnover and pre tax profit, all of which arises in the United Kingdom, is attributable to the principal activity of the company. Revenues are recognised when the product is despatched to the client, as the risks and rewards in the title are considered to have been transferred to the customer at this point.

#### *Operating lease*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

#### *Taxation*

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

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

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

## Notes

*(forming part of the financial statements)*

### **I Accounting policies (continued)**

#### ***Foreign currencies***

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

#### ***Employee benefits***

The company operated a defined contribution pension scheme during the period. A defined contribution plan is a post-employment benefit under which the company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

#### ***Royalties and licensing arrangements***

The company enters into royalty and licencing arrangements. Licensing charges and royalties are charged to the profit and loss account in the period in which the liability is incurred. However, in cases where the company is required to make advance payments, these are recorded as a prepayment and a proportion of these costs is written off as the unit sales of the related computer software or games cartridges are made. Royalty income is included in the profit and loss account as turnover at the time the software master disks are released.

## Notes (continued)

### 2 Turnover

#### Geographical analysis by destination:

	2016 £	2015 £
United Kingdom	30,322,436	11,424,462
European Union (excluding United Kingdom)	2,651,191	820,176
Rest of the World	412,269	754,222
	<u>33,385,896</u>	<u>12,998,860</u>

### 3 Expenses and auditor's remuneration

	2016 £	2015 £
Depreciation of owned fixed assets	22,406	16,694
Hire of plant and machinery - operating leases	3,050	3,336
Hire of other assets - operating leases	162,900	159,167
Exchange gains/(losses)	206,696	(44,658)
	<u></u>	<u></u>

#### Auditor's remuneration:

	2016 £	2015 £
Audit of these financial statements	24,500	24,000
Amounts receivable by the auditors and their associates in respect of:		
Audit-related assurance services	8,000	
Other services relating to taxation	8,000	7,750
	<u></u>	<u></u>

### 4 Remuneration of directors

	2016 £	2015 £
Directors' emoluments	473,066	454,555
Pension contributions	15,212	14,881
	<u>488,278</u>	<u>469,436</u>

The highest paid director received emoluments totalling £289,519 in the year (2015: £280,227).

## Notes (continued)

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2016	2015
Sales, marketing and distribution	18	17

The aggregate payroll costs of these persons were as follows:

	2016 £	2015 £
Wages and salaries	1,271,992	1,159,370
Social security costs	163,104	152,233
Other pension costs	29,477	30,167
	<u>1,464,573</u>	<u>1,341,770</u>

### 6 Financial income and expense

	2016 £	2015 £
Interest received from other group undertakings	1,906	1,555

### 7 Taxation

#### Recognised in the profit and loss

	2016 £	2015 £
Current tax credit		
Current year		
Adjustments for prior years		31,446
Current tax credit		<u>31,446</u>
Deferred tax credit		
Recognition of previously unrecognised tax losses	63,360	494,640
Deferred tax credit	<u>63,360</u>	<u>494,640</u>
Total tax credit	<u>63,360</u>	<u>526,086</u>

## Notes (continued)

### Reconciliation of effective tax rate

The tax assessed for the year is lower (2015: lower) than the standard rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below.

	2016 £	2015 £
Profit on ordinary activities before taxation	2,148,012	652,306
Expected current tax at 20% (2015: 21%)	429,602	136,984
<i>Effects of:</i>		
Movement in losses carried forward	(454,083)	(161,490)
Expenses not deductible for tax purposes	20,000	21,000
Differences between capital allowances for period and depreciation	4,481	3,506
Adjustments in respect of prior periods	-	(31,446)
Recognition of previously unrecognised tax losses	(63,360)	(494,640)
Total tax credit	(63,360)	(526,086)

### 8 Property, plant and equipment

	Short-term leasehold improvements	Fixtures & fittings	Plant and equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 April 2015	38,242	300,557	66,426	405,225
Additions	-	5,000	-	5,000
Disposals	-	(168,659)	-	(168,659)
<b>At 31 March 2016</b>	<b>38,242</b>	<b>136,898</b>	<b>66,426</b>	<b>241,566</b>
<b>Depreciation</b>				
At 1 April 2015	38,242	290,005	19,646	347,893
Charge for period	-	5,800	16,606	22,406
Eliminated on disposal	-	(168,659)	-	(168,659)
<b>At 31 March 2016</b>	<b>38,242</b>	<b>127,146</b>	<b>36,252</b>	<b>201,640</b>
<b>Net book value</b>				
At 31 March 2016	-	9,752	30,174	39,926
At 31 March 2015	-	10,552	46,780	57,332

## Notes (continued)

### 9 Deferred tax assets

	2016 £	2015 £
Recognised deferred tax assets and liabilities		
Tax value of loss carry-forwards	558,000	494,640
	<u>558,000</u>	<u>494,640</u>
Movement in deferred tax during the year		
Opening tax value of loss carry-forwards	494,640	-
Recognised in income	63,360	494,640
	<u>558,000</u>	<u>494,640</u>
Closing tax value of loss carry-forwards		

A deferred tax asset of £7,419,806 (2015: £8,182,118) has not been recognised in respect of losses carried forward, provisions and capital allowances in excess of depreciation due to the uncertainty of future taxable profits.

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. The deferred tax asset at 31 March 2016 has been calculated based on these rates.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly and reduce the deferred tax asset at 31 March 2016 accordingly but due to the uncertainty of future taxable profits over the years in question the impact of this reduced rate on the value of the deferred tax asset cannot be estimated with any certainty.

### 10 Inventories

	2016 £	2015 £
Finished goods	<u>4,453,602</u>	<u>1,100,193</u>

### 11 Trade and other receivables

	2016 £	2015 £
Trade receivables due from group undertakings	1,549,603	2,187,740
Other trade receivables	76,988	88,639
Prepayments	118,396	311,672
	<u>1,744,987</u>	<u>2,588,051</u>

**Notes (continued)**

**12 Cash and cash equivalents**

	2016 £	2015 £
Cash at bank and in hand	5,274,099	529,378

**13 Trade and other payables**

	2016 £	2015 £
Trade payables due to group undertakings	3,571,242	419,945
Other trade payables	2,049,065	575,057
Accruals	2,149,013	1,684,670
	<u>7,769,320</u>	<u>2,679,672</u>

**14 Provisions**

	Dilapidations £
At 1 April 2015/31 March 2016	145,028

The provision relates to dilapidations on lease for office accommodation held by the company. The utilisation is expected to be at the end of the lease in June 2016.

**15 Capital and reserves**

	2016 £	2015 £
<b>Authorised:</b>		
28,000,000 ordinary shares of £1 each	28,000,000	28,000,000
<b>Called up, allotted and fully paid:</b>		
28,000,000 ordinary shares of £1 each	28,000,000	28,000,000

## Notes (continued)

### 16 Operating leases

Non-cancellable operating lease rentals are payable as follows:

	2016	2015
	Land and buildings	Land and buildings
	£	£
Within one year	40,700	162,800
In the second to fifth years inclusive	-	162,800
	<u>40,700</u>	<u>325,600</u>

### 17 Related parties

As the company is a wholly owned subsidiary of Bandai Namco Holdings Inc., the company has taken advantage of the exemption in FRS 101 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Bandai Namco Holdings Inc. can be obtained from the address given in note 18.

### 18 Ultimate parent company and parent company of larger group

At 31 March 2016, the immediate parent company was Bandai Namco Entertainment Europe SAS, a company incorporated in France.

The ultimate parent company is Bandai Namco Holdings Inc, a company incorporated in Japan. The accounts of the group can be obtained from its registered office at 4-5-15, Higashi-Shinagawa, Shinagawa-ku, Tokyo 140-8590, Japan.

### 19 Accounting estimates and judgements

The Company makes estimates and assumptions concerning the future and the resulting accounting estimates will, by definition, seldom equal the related later actual result. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to revenue recognition and carrying value of inventories

The Group recognises revenue when the title to the goods passes to a third party. However, the nature of the industry in which the Company operates means that if the goods are subsequently not sold by the relevant party the Company often provides support, including a full refund for returning the stock, to the third party to assist with the subsequent sale. As such an estimate is made, on a title by title basis, as to the amount of future support required based on the level of unsold stock and historical data at the end of the financial period. This provision is then offset against the revenue at the end of the period and deducted from the trade receivables. When the stock is eventually sold through the amount of support may differ from this estimate for a number of reasons depending on market conditions at the time.

The Company estimates the level of provision to be made against the inventory value at the end of the financial period on a line by line basis and this is provided for as part of the income statement and deducted from the value of the inventory held in the balance sheet. When the inventory is eventually sold this may differ from the estimate for a number of reasons depending on market conditions at the time.

**Notes** *(continued)*

**20 Explanation of transition to FRS 101 from old UK GAAP**

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31 March 2016, the comparative information presented in these financial statements for the year ended 31 March 2015.

In preparing these financial statements the Company has not adjusted any amounts reported previously in financial statements prepared in accordance with its old basis of accounting (UK GAAP).