Company Registration No. 04646508 (England and Wales)

VIRTALIS LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 29 FEBRUARY 2016

PAGES FOR FILING WITH REGISTRAR

VIRTALIS LIMITED

COMPANY INFORMATION

Directors	Mr D Cockburn-Price Mr Andrew Connell Mr Steve Carpenter Mr Glyn Read (Non-executive chairman) Mr Simon Thelwall-Jones
Secretary	Mr D Cockburn-Price
Company number	04646508
Registered office	Chester House 79 Dane Road SALE M33 7BP
Auditor	Lopian Gross Barnett & Co 6th Floor Cardinal House 20 St Mary's Parsonage Manchester M3 2LG
Business address	Chester House 79 Dane Road SALE M33 7BP

VIRTALIS LIMITED

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VIRTALIS LIMITED

BALANCE SHEET

AS AT 29 FEBRUARY 2016

	Notes	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Intangible assets	3		1,626,825		1,258,446
Tangible assets	4		129,740		142,917
Investments	5		20,329		20,661
			1,776,894		1,422,024
Current assets					
Stocks		148,088		93,513	
Debtors	6	2,019,421		1,697,113	
Cash at bank and in hand		1,084,986		384,381	
		3,252,495		2,175,007	
Creditors: amounts falling due within one year	7	(1,455,421)		(1,040,870)	
Net current assets			1,797,074		1,134,137
Total assets less current liabilities			3,573,968		2,556,161
Creditors: amounts falling due after more than one year	8		(18,355)		(18,355)
Net assets			3,555,613		2,537,806
Capital and reserves					
Called up share capital	10		80,329		80,329
Share premium account			26,868		26,868
Profit and loss reserves			3,448,416		2,430,609
Total equity			3,555,613		2,537,806

The directors of the company have elected not to include a copy of the profit and loss account within the financial statements.

These financial statements have been prepared and delivered in accordance with the provisions applicable to companies subject to the small companies' regime.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 have been adopted early, as permitted by those Regulations.

The financial statements were approved by the board of directors and authorised for issue on 28th February 2017 and are signed on its behalf by:

Mr D Cockburn-Price
Director

VIRTALIS LIMITED

BALANCE SHEET (CONTINUED)

AS AT 29 FEBRUARY 2016

Company Registration No. 04646508

1 Accounting policies

Company information

Virtalis Limited is a private company limited by shares incorporated in England and Wales. The registered office is Chester House, 79 Dane Road, SALE, M33 7BP.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006 as applicable to companies subject to the small companies regime. The disclosure requirements of section 1A of FRS 102 have been applied other than where additional disclosure is required to show a true and fair view.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

These financial statements for the year ended 29 February 2016 are the first financial statements of Virtalis Limited *prepared in accordance* with FRS 102, The *Financial Reporting Standard applicable in the* UK *and* Republic of Ireland. The date of transition to FRS 102 was 1 March 2014. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

The Companies, Partnerships and Groups (Accounts and Reports) Regulations 2015 ("the Regulations") are applicable for accounting periods commencing on or after 1 January 2016, but the provisions of those regulations have been adopted early and have been applied in the preparation of these financial statements, as permitted by the Regulations.

1.2 Going concern

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand.

The nature of the company's business is such that there can be considerable variations in the timing of cash inflows. The directors have prepared projected cash flow information for the period ending 12 months from the date of their approval of these financial statements. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facility currently agreed. Hence, the directors consider it appropriate to prepare the financial statements on the going concern basis.

1 Accounting policies **(Continued)**

1.3 Turnover, profit recognition and long term contracts
Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

Revenue and profits are recognised at the date of despatch of goods or provision of software licences or services.

Developments of applications and installations of systems are not normally treated as long-term contracts as they are relatively short in duration and consist of a mixture of supplying goods and providing installation and consultancy services. Revenue and profits are recognised at the date of achieving contractually agreed milestones with customers.

When developments are of sufficient duration or materiality to be accounted for as long term contracts, revenue is recognised when contractually agreed milestones are achieved with attributable costs in line with the total anticipated profit. Costs include all goods and labour costs incurred in bringing a contract to its state of completion at the period end, including an appropriate portion of indirect expenses. Any provisions required for estimated losses on contracts are made in the period in which such losses are foreseen. Long-term work in progress is stated net of payments received on account.

In the case of maintenance and support contracts, revenue is recognised at the commencement of the contract, but is deferred to match any future costs of external warranties from original manufacturers and any labour costs for contractually committed maintenance tasks.

Deferred income represents the portion of contract income invoiced relating to future accounting periods.

1.4 Intangible Assets and Research & Development
Research expenditure is charged to the profit and loss account in the year in which it is incurred.

Development expenditure is charged to the profit and loss account in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure relating to relevant staff costs, on-costs and benefits as well as materials and services consumed is capitalised and amortised over the period during which the company is expected to benefit, matched to the levels of turnover generated and commencing when sales of the product are first made, but not exceeding five years.

1.5 Tangible fixed assets
Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings Leasehold	Straight line over 5 years
Computer equipment	Straight line over 3 or 4 years
Motor vehicles	Straight line over 3 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.6 Fixed asset investments
Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1 Accounting policies **(Continued)**

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

1.8 Stocks

Work in progress is stated at the lower of cost and net realisable value.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies **(Continued)**

Impairment of financial assets
Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Basic financial liabilities
Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities
Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value though profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies **(Continued)**

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.11 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax
Deferred tax is provided on all timing differences that result in an obligation at the balance sheet date to pay more tax in the future or a right to pay less tax in the future at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.13 Employee benefits
The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.14 Retirement benefits
The company operates a defined contribution scheme for the benefit of its employees, which is financially independent from the company. Contributions payable are charged to the profit and loss account in the year they are payable.

1.15 Leases
Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

1.16 Foreign exchange
Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the profit and loss account for the period.

1 Accounting policies **(Continued)**

1.17 Financial liabilities

Financial liabilities with no maturity date are initially recognised, and subsequently measured, at fair value less transaction costs. Fair value is calculated at the present value of discounted cash flows.

1.18 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a small-sized group. The company has therefore taken advantage of the exemptions provided by section 398 of the Companies Act 2006 not to prepare group accounts.

2 Employees

The average monthly number of persons (including directors) employed by the company during the year was 32 (2015 - 28).

3 Intangible fixed assets

	Development costs
	£
Cost	
At 1 March 2015	1,498,446
Additions	681,379
At 29 February 2016	2,179,825
Amortisation and impairment	
At 1 March 2015	240,000
Amortisation charged for the year	313,000
At 29 February 2016	553,000
Carrying amount	
At 29 February 2016	1,626,825
At 28 February 2015	1,258,446

4 Tangible fixed assets

	Land and buildings	Plant and machinery etc	Total
	£	£	£
Cost			
At 1 March 2015	29,371	375,849	405,220
Additions	1,056	48,468	49,524
Disposals	(1,203)	(1,809)	(3,012)
At 29 February 2016	29,224	422,508	451,732
Depreciation and impairment			
At 1 March 2015	13,716	248,587	262,303
Depreciation charged in the year	4,617	56,272	60,889
Eliminated in respect of disposals	(1,150)	(50)	(1,200)
At 29 February 2016	17,183	304,809	321,992
Carrying amount			
At 29 February 2016	12,041	117,699	129,740
At 28 February 2015	15,656	127,261	142,917

5 Fixed asset investments

	2016	2015
	£	£
Investments	20,329	20,661

The company holds 100% of the issued share capital of Virtalis Inc, being $1,000, a company incorporated in the United States and 100% of the issued share capital of Virtalis GmbH, incorporated in Germany, being €25,000. During the year, the company acquired the remaining 20% of the issued share capital of Virtalis Sdn Bhd, incorporated in Malaysia, and now holds 100% of that share capital, being RM100.

The company also holds 33.5% of the £1,000 issued share capital of Touch and Discover Systems Limited, a business incorporated in the U.K. and involved in producing haptic (virtual touch) solutions for museums and special interest groups.

At 29 February 2016, Virtalis Inc had an aggregate amount of capital and reserves of £62,797 and a retained profit for the year of £113,485. Virtalis GmbH had an aggregate amount of capital and reserves of £(218,078) and a retained profit for the year of £37,809 and Virtalis Sdn Bhd had an aggregate amount of capital and reserves of £(48,199) and a retained loss for the year of £(40,092).

5 Fixed asset investments (Continued)

Movements in fixed asset investments

	Shares in group undertakings £
Cost or valuation	
At 1 March 2015	20,661
Additions	3
At 29 February 2016	20,664
Impairment	
At 1 March 2015	-
Impairment losses	335
At 29 February 2016	335
Carrying amount	
At 29 February 2016	20,329
At 28 February 2015	20,661

6 Debtors

Amounts falling due within one year:	2016 £	2015 £
Trade debtors	1,008,481	1,075,528
Corporation tax recoverable	198,791	-
Amounts due from group undertakings	556,127	344,014
Other debtors	149,022	209,571
	1,912,421	1,629,113
Deferred tax asset	107,000	68,000
	2,019,421	1,697,113

7 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	786,573	637,142
Other taxation and social security	87,185	62,783
Other creditors	581,663	340,945
	1,455,421	1,040,870

8 Creditors: amounts falling due after more than one year

	2016	2015
	£	£
Liability element of ordinary 'A' shares	18,355	18,355

9 Deferred income

	2016	2015
	£	£
Other deferred income	210,300	139,233

10 Called up share capital

	2016	2015
	£	£
Ordinary share capital		
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
30,000 Ordinary 'A' shares of £1 each	30,000	30,000
	130,000	130,000
Allotted, called up and fully paid		
60,000 Ordinary shares of £1 each	60,000	60,000
28,235 ordinary 'A' shares of £1 each	28,235	28,235
	88,235	88,235
Amounts presented in equity:		
60,000 Ordinary shares of £1 each	60,000	60,000
20,329 ordinary 'A' shares of £1 each	20,329	20,329
	80,329	80,329
Amounts presented in liabilities		
7,906 ordinary 'A' shares of £1 each	7,906	7,906
	7,906	7,906

10 Called up share capital **(Continued)**

7,906 ordinary 'A' shares have been presented as debt as required under GAAP. The premium allocated to those shares is £14,494 and associated issue costs totalled £4,045.

The ordinary shares and ordinary 'A' shares carry identical voting rights of one vote each.

The rights to dividends are as follows:

Ordinary 'A' Shares

- A fixed dividend 7% of subscription price each year cumulative from date of subscription payable half yearly commencing 31st August 2004.

- A participating dividend of 7% of group profit each year cumulative from date of subscription.

- A compensatory dividend equal to any amount the managers draw in excess benefit over and above the agreed limits.

Ordinary Shares

Any amounts approved by the members but not exceeding the total amount of fixed plus participating dividends payable on ordinary 'A' shares providing:

- All dividends are up to date.

- Retained profits in the company remain in excess of £200,000.

- The total of all dividends and excess benefits paid in the year are less than 1/3 of the profit after tax.

Ordinary 'A' Shares and Ordinary Shares

Any further dividends on both shares as though the same class with the consent of the 'A' shareholders.

For capital repayment, the shares, providing all dividends have first been paid, rank as follows:

1st Ordinary 'A' shares at subscription price paid.

2nd Ordinary shares at subscription price paid.

3rd Ordinary 'A' shares and ordinary shares as though same class.

11 Audit report information

As the income statement has been omitted from the filing copy of the financial statements the following information in relation to the audit report on the statutory financial statements is provided in accordance with s444(5B) of the Companies Act 2006:

The auditor's report was unqualified.
The senior statutory auditor was Mr Jason Selig.
The auditor was Lopian Gross Barnett & Co.

12 Financial commitments, guarantees and contingent liabilities

At 29 February 2016 and 28 February 2015, the company had no contingent liabilities.

13 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, as follows:

	2016	2015
	£	£
	97,138	101,835

14 Capital commitments

At 29 February 2016 and 28 February 2015, the company had no capital expenditure commitments contracted for, but not provided.

15 Events after the reporting date

There are no balance sheet events requiring disclosure.

16 Related party transactions

David Cockburn-Price and Andrew Connell have given personal guarantees of £20,000 each for the overdraft facility with HSBC.

17 Directors' transactions

The company purchased marketing and public relations services during the period costing £53,250 (2015: £51,250) from Cockburn-Price & Carter, a partnership in which the director, David Cockburn-Price, had a 1% interest. At the balance sheet date, there was an amount owing to Cockburn-Price & Carter of £7,200 (2015: £4,800).

The company paid consultancy fees of £30,000 (2015: £30,000) to Glyn Read as a non-executive director. At the balance sheet date, there was an amount owing to Glyn Read of £2,589 (2015: £2,719).

The company paid consultancy fees of £13,610 (2015: £9,000) to Platinum Capital Partners LLP, a limited liability partnership in which the director, Simon Thelwall-Jones, is a partner. At the balance sheet date, there was an amount owing to Platinum Capital Partners of £1,200 (2015: £1,200).