

Company Registration No. 03206855 (England and Wales)

SANDAL PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2016

SANDAL PLC

COMPANY INFORMATION

Directors	Mr A J Tadd Mr O J Tadd Mr T Rodger
Secretary	Edwin Coe Secretaries Limited
Company number	03206855
Registered office	Claremont House Deans Court Bicester Oxon OX26 6BW
Auditor	Whitley Stimpson Limited Claremont House Deans Court Bicester Oxon OX26 6BW
Business address	5 Harold Close Harlow Essex CM19 5TH
Bankers	National Westminster Bank Plc Cambridge Kings Parade Branch 10 Benet Street Cambridge CB2 3PU
Solicitors	Edwin Coe LLP 2 Stone Buildings Lincolns Inn London WC2A 3TH

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STRATEGIC REPORT

FOR THE YEAR ENDED 31 MAY 2016

The Board of Sandal plc, the designer, developer and manufacturer of electronic products announces its full year results for the year to 31 May 2016.

Fair review of the business

The year under review has a number of significant achievements:

- The continued expansion of the MiHome product range and sales
- Ongoing reduction of repeating overheads
- Maintaining marketing expenditure to support the MiHome brand

Turnover remained stable as the business largely withdrew from the Energenie Xtra's product range and replaced this turnover with sales of MiHome. The Company continued its investment in marketing of MiHome as it seeks to continue to grow the awareness of its brand and grow its ability to integrate with other systems.

Development expenditure continued during the year at a lower level but with the focus shifting to integration with other major systems providers such as Nest, Samsung Smart Things and Amazon. Because of the growing commercial success of MiHome, the Company has decided to capitalise this development expenditure in accordance with FRS 102.

Despite the stable turnover levels, the Company has reduced its loss for the year to £81,894 (2015 £304,807). This included £242,972 of general marketing activities plus non capitalised development costs of £26,600. The Directors are cautiously confident that the business will return to profit in 2017.

Since the year end there has been turnover growth of 22% compared with the same period in 2015 and this bodes well for achieving our profit objective for 2017. Importantly the Company has announced successful integrations with Nest's Learning Thermostat and Amazon Echo. The Directors are of the view that these integrations will considerably enhance earnings in future years as the IOT ("Internet of Things") Home Automation market grows.

In addition, the Company also announced its first distribution arrangements in the highly important Electrical Wholesale market with Denman's Electrical Wholesale. The Electrical and Plumbing wholesale markets are where the Directors see significant growth opportunities in the coming years as well as in new build and social care.

Future Developments

The Directors will continue to expand Energenie and MiHome within the resources internally generated and those obtained through capital markets. They expect that growth from integration with Nest and Amazon will provide both short and long term growth along with the Wholesale and Social Care markets where the Company will be a hardware provider.

Strategy

The Directors will continue with their strategy to grow MiHome into the expanding nascent market of IOT Home Automation with existing and new products. The Company will continue to integrate with other systems e.g. Apple Homekit etc as the Directors see this as an important strategy to maximising sales opportunities.

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STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

Principal risks and uncertainties

Risks

Competitive Risks

The Company operates in a competitive market with changing technologies. We are always reviewing our product and technology offering in our development programme. The Integration with major systems providers is seen as a counter balance to this risk.

Exchange Rate Risks

The Company seeks to internal hedge this risk by buying and selling in US Dollars wherever possible. The recent sterling devaluation against the US Dollar has been successfully managed.

On behalf of the board

.....
Mr A J Tadd

Director

.....

SANDAL PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MAY 2016

The directors present their annual report and financial statements for the year ended 31 May 2016.

Principal activities

The principal activities of the Company in the year under review was the sale and distribution of electrical connection products.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr A J Tadd
Mr O J Tadd
Mr T Rodger

Results and dividends

The results for the year are set out on page 7.

An interim dividend was paid amounting to £0 (2015 £0). The directors do not recommend payment of a final dividend.

Post reporting date events

After the balance sheet date, there were several share transactions to have occurred. On 1st July 2016, 130,000 ordinary shares were cancelled. Also, on 5th October 2016, Greenbrook Industries Limited acquired 974,455 ordinary shares at no premium. Consequently, the ultimate controlling party by virtue of his majority shareholding is still the Director Mr A Tadd, and the related party Greenbrook Industries Limited holding is 24%.

Auditor

In accordance with the company's articles, a resolution proposing that Whitley Stimpson Limited be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

.....
Mr A J Tadd
Director

.....

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DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MAY 2016

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SANDAL PLC

We have audited the financial statements of Sandal Plc for the year ended 31 May 2016 set out on pages 7 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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

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 annual report 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 31 May 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

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INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF SANDAL PLC

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.

Date:.....

**Mr Stephen Payne (Senior Statutory Auditor)
for and on behalf of Whitley Stimpson Limited**

Chartered Accountants

Statutory Auditor

Claremont House

Deans Court

Bicester

Oxon

OX26 6BW

SANDAL PLC

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2016

	Notes	2016 £	2015 £
Turnover	3	3,295,765	3,338,525
Cost of sales		(2,155,047)	(1,995,662)
Gross profit		<u>1,140,718</u>	<u>1,342,863</u>
Administrative expenses		(1,367,881)	(1,661,390)
Other operating income		2,184	1,519
Operating loss	4	<u>(224,979)</u>	<u>(317,008)</u>
Interest receivable and similar income	7	164	899
Interest payable and similar charges	8	(42,724)	(11,264)
Loss before taxation		<u>(267,539)</u>	<u>(327,373)</u>
Taxation	9	185,645	22,566
Loss for the financial year		<u><u>(81,894)</u></u>	<u><u>(304,807)</u></u>

The profit and loss account has been prepared on the basis that all operations are continuing operations.

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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MAY 2016

	2016 £	2015 £
Loss for the year	(81,894)	(304,807)
Other comprehensive income		
Currency translation differences	12,072	2,672
Total comprehensive income for the year	<u>(69,822)</u>	<u>(302,135)</u>

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BALANCE SHEET

AS AT 31 MAY 2016

	Notes	£	2016 £	£	2015 £
Fixed assets					
Goodwill	10		16,250		30,250
Other intangible assets	10		83,682		8
			<hr/>		<hr/>
Total intangible assets			99,932		30,258
Tangible assets	11		215,189		254,008
Investments	12		101		101
			<hr/>		<hr/>
			315,222		284,367
Current assets					
Stocks	15	736,031		739,948	
Debtors - deferred tax	22	65,927		-	
Debtors - other	16	808,391		703,386	
Cash at bank and in hand		343,203		347,535	
		<hr/>		<hr/>	
		1,953,552		1,790,869	
Creditors: amounts falling due within one year	17	(1,067,764)		(944,929)	
		<hr/>		<hr/>	
Net current assets			885,788		845,940
			<hr/>		<hr/>
Total assets less current liabilities			1,201,010		1,130,307
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	18		(230,445)		(93,421)
			<hr/>		<hr/>
Provisions for liabilities	22		(30,257)		(38,058)
			<hr/>		<hr/>
Net assets			940,308		998,828
			<hr/> <hr/>		<hr/> <hr/>
Capital and reserves					
Called up share capital	24		324,660		323,470
Share premium account	25		121,938		111,826
Profit and loss reserves			493,710		563,532
			<hr/>		<hr/>
Total equity			940,308		998,828
			<hr/> <hr/>		<hr/> <hr/>

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

.....
Mr A J Tadd
Director

Company Registration No. 03206855

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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MAY 2016

		Share capital	Share premium account	Profit and loss reserves	Total
	Notes	£	£	£	£
Balance at 1 June 2014		310,000	-	865,667	1,175,667
<hr/>					
Year ended 31 May 2015:					
Loss for the year		-	-	(304,807)	(304,807)
Other comprehensive income:					
Currency translation differences		-	-	2,672	2,672
<hr/>					
Total comprehensive income for the year		-	-	(302,135)	(302,135)
Issue of share capital	24	13,470	111,826	-	125,296
<hr/>					
Balance at 31 May 2015		323,470	111,826	563,532	998,828
<hr/>					
Year ended 31 May 2016:					
Loss for the year		-	-	(81,894)	(81,894)
Other comprehensive income:					
Currency translation differences		-	-	12,072	12,072
<hr/>					
Total comprehensive income for the year		-	-	(69,822)	(69,822)
Issue of share capital	24	1,190	10,112	-	11,302
<hr/>					
Balance at 31 May 2016		324,660	121,938	493,710	940,308
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STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MAY 2016

	Notes	£	2016 £	£	2015 £
Cash flows from operating activities					
Cash absorbed by operations	30		(18,100)		(431,051)
Interest paid			(42,724)		(11,264)
Income taxes refunded			37,386		29,825
			<u> </u>		<u> </u>
Net cash outflow from operating activities			(23,438)		(412,490)
Investing activities					
Purchase of intangible assets		(104,593)		-	
Purchase of tangible fixed assets		(37,323)		(89,396)	
Proceeds on disposal of tangible fixed assets		-		3,700	
Proceeds on disposal of fixed asset investments		-		(46)	
Proceeds from other investments and loans		(1,209)		-	
Interest received		164		899	
		<u> </u>		<u> </u>	
Net cash used in investing activities			(142,961)		(84,843)
Financing activities					
Proceeds from issue of shares		11,302		125,296	
Repayment of bank loans		170,538		(58,624)	
Payment of finance leases obligations		(19,773)		33,400	
		<u> </u>		<u> </u>	
Net cash generated from financing activities			162,067		100,072
			<u> </u>		<u> </u>
Net decrease in cash and cash equivalents			(4,332)		(397,261)
Cash and cash equivalents at beginning of year			347,535		744,796
			<u> </u>		<u> </u>
Cash and cash equivalents at end of year			343,203		347,535
			<u> </u>		<u> </u>

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

Company information

Sandal Plc is a company limited by shares incorporated in England and Wales. The registered office is Claremont House, Deans Court, Bicester, Oxon, OX26 6BW.

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.

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 £.

The financial statements have been prepared on the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The directors confirm that they are satisfied that the company has adequate resources to continue in business for the foreseeable future. This has been determined by a review of the forecast budgets and expected trading performance for a period of at least 12 months from the date of approval of the financial statements.

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

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 dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the cost of acquisition of unincorporated businesses over the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

For the purposes of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

Amortisation 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:

Patents	10% on cost
Development Costs	10% and 20% on cost

1.6 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:

Leasehold improvements	12.5% on cost
Tooling	10% on cost
Plant and machinery	10% on cost
Fixtures, fittings & equipment	20% on cost
Motor vehicles	25% on cost

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.

1.7 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.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

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.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. 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, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents 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 statement of financial position 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.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

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 publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

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.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

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 through 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.

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 liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

1 Accounting policies

(Continued)

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

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.15 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the balance sheet as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the profit and loss account so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into the profit and loss account for the year.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2016 £	2015 £
Turnover		
Sales	3,295,765	3,338,525

Other significant revenue

Interest income	164	899
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Turnover analysed by geographical market

	2016 £	2015 £
UK	2,139,843	2,033,706
Europe	884,263	782,050
Rest of the world	271,659	522,769
	<u>3,295,765</u>	<u>3,338,525</u>

4 Operating loss

	2016 £	2015 £
Operating loss for the year is stated after charging/(crediting):		
Exchange losses	32,846	15,267
Research and development costs	29,611	37,718
Fees payable to the company's auditor for the audit of the company's financial statements	12,000	12,000
Depreciation of owned tangible fixed assets	60,552	59,298
Depreciation of tangible fixed assets held under finance leases	15,499	9,398
Profit on disposal of tangible fixed assets	-	(1,476)
Amortisation of intangible assets	34,919	14,000
Cost of stocks recognised as an expense	1,994,966	1,871,628
Operating lease charges	8,513	4,307

5 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2016 Number	2015 Number
Administration staff and Management	16	13

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

5 Employees (Continued)

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	623,546	571,248
Pension costs	36,683	64,032
	<u>660,229</u>	<u>635,280</u>

6 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	193,317	202,344
Company pension contributions to defined contribution schemes	33,000	58,500
	<u>226,317</u>	<u>260,844</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2015 - 2).

7 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Interest on bank deposits	148	701
Other interest income	16	198
	<u>164</u>	<u>899</u>

Investment income includes the following:

Interest on financial assets not measured at fair value through profit or loss	<u>148</u>	<u>701</u>
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SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

8 Interest payable and similar charges

	2016 £	2015 £
Interest on financial liabilities measured at amortised cost:		
Interest on finance leases and hire purchase contracts	3,726	2,119
Other interest on financial liabilities	38,998	9,145
	<u>42,724</u>	<u>11,264</u>

9 Taxation

	2016 £	2015 £
Current tax		
Adjustments in respect of prior periods	(111,917)	(28,687)
Deferred tax		
Origination and reversal of timing differences	(7,801)	6,121
Previously unrecognised tax loss, tax credit or timing difference	(65,927)	-
Total deferred tax	<u>(73,728)</u>	<u>6,121</u>
Total tax charge	<u>(185,645)</u>	<u>(22,566)</u>

The charge for the year can be reconciled to the loss per the profit and loss account as follows:

	2016 £	2015 £
Loss before taxation	<u>(267,539)</u>	<u>(327,373)</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	(53,508)	(65,475)
Tax effect of expenses that are not deductible in determining taxable profit	(11,675)	5,810
Unutilised tax losses carried forward	60,114	66,147
Adjustments in respect of prior years	(111,917)	(28,687)
Permanent capital allowances in excess of depreciation	(10,141)	(20,221)
Depreciation on assets not qualifying for tax allowances	15,210	13,739
Deferred tax adjustment	(73,728)	6,121
Tax expense for the year	<u>(185,645)</u>	<u>(22,566)</u>

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

10 Intangible fixed assets

	Goodwill	Patents	Development Costs	Total
	£	£	£	£
Cost				
At 1 June 2015	140,000	13,715	66,871	220,586
Additions - separately acquired	-	-	104,593	104,593
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 2016	140,000	13,715	171,464	325,179
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortisation and impairment				
At 1 June 2015	109,750	13,713	66,865	190,328
Amortisation charged for the year	14,000	-	20,919	34,919
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 2016	123,750	13,713	87,784	225,247
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount				
At 31 May 2016	16,250	2	83,680	99,932
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 May 2015	30,250	2	6	30,258
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

11 Tangible fixed assets

	Leasehold improvements	Tooling	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 June 2015	68,913	638,548	27,335	102,716	38,339	875,851
Additions	6,290	19,901	-	11,042	-	37,233
At 31 May 2016	75,203	658,449	27,335	113,758	38,339	913,084
Depreciation and impairment						
At 1 June 2015	37,711	492,645	18,801	67,409	5,278	621,844
Depreciation charged in the year	4,542	45,257	2,438	14,263	9,551	76,051
At 31 May 2016	42,253	537,902	21,239	81,672	14,829	697,895
Carrying amount						
At 31 May 2016	32,950	120,547	6,096	32,086	23,510	215,189
At 31 May 2015	31,202	145,906	8,533	35,306	33,061	254,008

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

11 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2016 £	2015 £
Plant and machinery	9,794	13,711
Fixtures, fittings & equipment	25,274	29,162
Motor vehicles	19,543	27,236
	54,611	70,109
	54,611	70,109
 Depreciation charge for the year in respect of leased assets	 15,499	 9,398
	15,499	9,398

12 Fixed asset investments

	2016 £	2015 £
Unlisted investments	101	101
	101	101

Movements in fixed asset investments

	Investments other than loans £
Cost or valuation	
At 1 June 2015 & 31 May 2016	101
	101
Carrying amount	
At 31 May 2016	101
	101
At 31 May 2015	101
	101

13 Subsidiaries

Details of the company's subsidiaries at 31 May 2016 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held Direct Indirect
Powerbreaker Connections Australia PTY	Dormant Company	Ordinary Shares	95.00
Energenie Limited UK	Dormant Company	Ordinary Shares	100.00

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

13 Subsidiaries

(Continued)

The aggregate capital and reserves and the result for the year of the subsidiaries noted above was as follows:

Name of undertaking	Profit/(Loss) £	Capital and Reserves £
Powerbreaker Connections PTY	-	100
Energenie Limited	-	1

14 Financial instruments

	2016 £	2015 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	615,243	578,800
Equity instruments measured at cost less impairment	101	101
	<u>615,344</u>	<u>578,901</u>
Carrying amount of financial liabilities		
Measured at amortised cost	1,209,810	976,613
	<u>1,209,810</u>	<u>976,613</u>

Factored Debt

Trade debtors include factored debts amounting to £449,720 (2015: £393,861). The facility is currently undrawn.

15 Stocks

	2016 £	2015 £
Work in progress	18,628	59,779
Finished goods and goods for resale	717,403	680,169
	<u>736,031</u>	<u>739,948</u>

16 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	603,118	573,269
Corporation tax recoverable	103,218	28,687
Other debtors	49,594	46,944
Prepayments and accrued income	52,461	54,486
	<u>808,391</u>	<u>703,386</u>
Deferred tax asset (note 22)	65,927	-
	<u>874,318</u>	<u>703,386</u>

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

16 Debtors

(Continued)

Trade debtors disclosed above are measured at amortised cost.

17 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	19	80,494	66,858
Obligations under finance leases	20	19,878	19,864
Trade creditors		878,993	796,470
Other taxation and social security		20,333	16,859
Accruals and deferred income		68,066	44,878
		<u>1,067,764</u>	<u>944,929</u>

18 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans and overdrafts	19	218,748	61,846
Obligations under finance leases	20	11,697	31,575
		<u>230,445</u>	<u>93,421</u>

19 Loans and overdrafts

	2016 £	2015 £
Bank loans	<u>299,242</u>	<u>128,704</u>
Payable within one year	80,494	66,858
Payable after one year	<u>218,748</u>	<u>61,846</u>

The long-term loans amounting to £299,243 (2015: £128,705) are secured by a floating charge on all assets of the company.

Two of the bank loans amounting to £299,243 (2015: £96,679) are also secured by personal guarantee from the director A J Tadd.

One of the bank loans amounting to £231,922 (2015: Nil) is also secured by personal guarantee from the director O J Tadd.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

20 Finance lease obligations

	2016	2015
	£	£
Future minimum lease payments due under finance leases:		
Within one year	19,879	19,864
In two to five years	11,696	31,575
	<u>31,575</u>	<u>51,439</u>
	<u><u>31,575</u></u>	<u><u>51,439</u></u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

21 Provisions for liabilities

		2016	2015
		£	£
Deferred tax liabilities	22	30,257	38,058
		<u>30,257</u>	<u>38,058</u>
		<u><u>30,257</u></u>	<u><u>38,058</u></u>

22 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities	Liabilities	Assets	Assets
	2016	2015	2016	2015
	£	£	£	£
Balances:				
Accelerated capital allowances	30,257	38,058	-	-
Tax losses	-	-	65,927	-
	<u>30,257</u>	<u>38,058</u>	<u>65,927</u>	<u>-</u>
	<u><u>30,257</u></u>	<u><u>38,058</u></u>	<u><u>65,927</u></u>	<u><u>-</u></u>

	2016
	£
Movements in the year:	
Liability at 1 June 2015	38,058
Credit to profit and loss	(73,728)
	<u>(35,670)</u>
Liability/(Asset) at 31 May 2016	<u><u>(35,670)</u></u>

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period. The deferred tax liability set out above is expected to reverse within 12 months and relates to accelerated capital allowances and taxable losses that are expected to mature within the same period.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

23 Retirement benefit schemes

Defined contribution schemes

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

The charge to profit and loss in respect of defined contribution schemes was £36,683 (2015 - £64,032).

24 Share capital

	2016 £	2015 £
Ordinary share capital		
Authorised		
20,000,000 Ordinary Shares of 2p each	400,000	400,000
	<u> </u>	<u> </u>
Issued and fully paid		
16,233,000 Ordinary Shares of 2p each	324,660	323,470
	<u> </u>	<u> </u>
Authorised		
100,000 Preference Shares of £1 each	100,000	100,000
	<u> </u>	<u> </u>
Reconciliation of movements during the year:		Ordinary Number
At 1 June 2015		16,173,500
Issue of fully paid shares		59,480
		<u> </u>
At 31 May 2016		16,232,980
		<u> </u>

During the year 59,480 ordinary shares of £0.02 each were allotted and fully paid, for cash consideration, at a premium, to provide additional working capital.

25 Share premium account

During the year, 59,480 ordinary shares were issued at a premium of £0.17 and this is included in the share premium account. Deducted from this are the costs of issuing the new share capital.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

26 Operating lease commitments

Lessee

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

	2016	2015
	£	£
Within one year	31,114	27,688
Between two and five years	66,079	77,633
	<u>97,193</u>	<u>105,321</u>
	<u><u>97,193</u></u>	<u><u>105,321</u></u>

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MAY 2016

27 Related party transactions

Transactions with related parties

During the year, the company conducted transactions with Greenbrook Electrical Plc. Greenbrook Electrical Plc are a wholly owned subsidiary of Greenbrook Industries Limited. Greenbrook Industries Limited is under the control of the trustees of Greenbrook Industries Limited Retirement Benefit Scheme, who own 24% shares in Sandal Plc. Greenbrook Electrical Plc purchased goods totalling £68,241 (2015 £44,729) from Sandal Plc during the year and had a balance owing to Sandal Plc of £14,771 (2015 £17,967) at the year end and is included in trade debtors.

Energenie Ltd is a wholly owned subsidiary of Sandal Plc. The company was dormant during the year and therefore did not have any transactions with Sandal Plc during the year and the prior year.

28 Directors' transactions

Mr A J Tadd has a director's current account through which various transactions have been processed. The overall movement during the year is summarised below. This is an interest free loan, with full repayment made within nine months of the year end date. It is included in other debtors at the balance sheet date.

Description	% Rate	Opening Balance £	Amounts Advanced £	Interest Charged £	Amounts Repaid £	Closing Balance £
Mr A J Tadd - Directors loan account	-	-	2,659	-	(1,450)	1,209
		<u>-</u>	<u>2,659</u>	<u>-</u>	<u>(1,450)</u>	<u>1,209</u>
		<u>-</u>	<u>2,659</u>	<u>-</u>	<u>(1,450)</u>	<u>1,209</u>

29 Controlling party

The ultimate controlling party by virtue of his majority shareholding is the Director Mr A Tadd.

SANDAL PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MAY 2016

30 Cash generated from operations

	2016 £	2015 £
Loss for the year after tax	(81,894)	(304,807)
Adjustments for:		
Taxation credited	(185,645)	(22,566)
Finance costs	42,724	11,264
Investment income	(164)	(899)
Gain on disposal of tangible fixed assets	-	(1,476)
Amortisation and impairment of intangible assets	34,919	14,000
Depreciation and impairment of tangible fixed assets	76,051	68,696
Foreign exchange gains on cash equivalents	12,072	2,672
Movements in working capital:		
Decrease/(increase) in stocks	3,917	(74,596)
(Increase) in debtors	(29,265)	(221,064)
Increase in creditors	109,185	97,725
Cash absorbed by operations	<u>(18,100)</u>	<u>(431,051)</u>

31 Reconciliations on adoption of FRS 102

Reconciliation of equity

	1 June 2014 £	31 May 2015 £
Equity as reported under previous UK GAAP and under FRS 102	<u>1,175,667</u>	<u>998,828</u>

Reconciliation of profit or loss

	2015 £
Profit or loss as reported under previous UK GAAP and under FRS 102	<u>(304,807)</u>

SANDAL PLC

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MAY 2016

		2016		2015
	£	£	£	£
Turnover				
Sales of goods		3,295,765		3,338,525
Cost of sales				
Opening stock of finished goods	680,169		488,880	
Opening work in progress - short term	59,779		176,472	
Finished goods purchases	1,996,409		1,933,790	
Direct costs	(5,360)		12,434	
Closing stock of finished goods	(717,403)		(680,169)	
Closing work in progress - short term	(18,628)		(59,779)	
Non-goods carriage inwards and import duty	127,235		108,767	
Profit or loss on foreign exchange	32,846		15,267	
		<u>(2,155,047)</u>		<u>(1,995,662)</u>
Gross profit		1,140,718		1,342,863
Other operating income				
Sundry income		2,184		1,519
Administrative expenses		<u>(1,367,881)</u>		<u>(1,661,390)</u>
Operating loss		(224,979)		(317,008)
Investment revenues				
Bank interest received	148		701	
Other interest received - not on financial instruments	16		198	
		<u>164</u>		<u>899</u>
Interest payable and similar charges				
Hire purchase interest payable	3,726		2,119	
Non bank interest on loans	38,998		9,145	
		<u>(42,724)</u>		<u>(11,264)</u>
Loss before taxation		<u><u>(267,539)</u></u>		<u><u>(327,373)</u></u>

SANDAL PLC

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED 31 MAY 2016

	2016	2015
	£	£
Administrative expenses		
Wages and salaries	434,061	372,867
Staff recruitment costs	18,883	2,650
Staff medical insurance	5,951	6,875
Staff training	5,996	2,356
Staff pension costs defined contribution	3,683	5,532
Redundancy costs - staff	-	1,000
Directors' remuneration	189,485	198,381
Directors' pension costs - defined contribution scheme	33,000	58,500
Directors' medical insurance	3,832	3,963
Rent re licences and other	23,003	25,715
Rates	12,445	11,195
Cleaning	2,083	-
Power, light and heat	653	1,884
Property repairs and maintenance	5,826	6,666
Premises insurance	8,374	7,915
Computer running costs	19,744	15,038
Leasing - motor vehicles	8,513	4,307
Motor running expenses	8,922	19,901
Travelling expenses	46,772	68,510
Professional subscriptions	2,367	4,836
Legal and professional fees	74,764	123,588
Consultancy fees	7,769	3,326
Non audit remuneration paid to auditors	4,130	700
Audit fees	12,000	12,000
Bank charges	35,012	31,789
Credit card charges	40,017	27,312
Bad and doubtful debts	2,515	815
Printing and stationery	6,828	12,297
Advertising	182,240	186,909
Telecommunications	12,151	14,203
Entertaining	13,960	19,520
Development and certification costs	-	289,622
Patent and Testing costs	26,600	31,652
Inspection and testing	-	3,635
Staff welfare	3,011	2,431
Sundry expenses	2,321	2,280
Amortisation	34,919	14,000
Depreciation	76,051	68,696
Profit or loss on sale of tangible assets (non exceptional)	-	(1,476)
	<u>1,367,881</u>	<u>1,661,390</u>