

Registered number: 01385176

AUDIO-TECHNICA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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AUDIO-TECHNICA LIMITED

COMPANY INFORMATION

Directors	K Matsushita PJ Cajka AJ Rooke R Garrido S Horibe R Morgan-Males
Company secretary	AJ Rooke
Registered number	01385176
Registered office	Technica House Unit 5 Millennium Way Leeds West Yorkshire LS11 5AL
Independent auditor	Crowe U.K. LLP 3rd floor The Lexicon Mount Street Manchester M2 5NT

AUDIO-TECHNICA LIMITED

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AUDIO-TECHNICA LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2018

Introduction

The directors present their strategic report for the year ended 31 March 2018.

Business review

The results for the financial year ending 31 March 2018 are set out on page 8 of the Annual Report. Sales increased by 11.6% year on year (2018 - £49.9m , 2017 - £44.7m) which was in line with the directors' expectations. The profit for the period before taxation was £2.5m (2017 - £4.4m) which resulted in a net profit of £2.0m (2017 - £3.6m).

75% of the Company's revenues are generated outside the UK and most of this revenue was invoiced in Euros. The Company has continued to grow the turnover with the introduction of new products and a stronger sales and marketing drive into the consumer market. The Company has been particularly well placed with its turntable product portfolio to take advantage of the continuing growth in the vinyl market.

Selling and distribution expenses increased by 29.3% as the Company continued to invest in marketing promotions and trade shows to raise brand awareness.

Administration costs have risen significantly by 33.7%, partly due to exchange rates but also as the Company continued to invest in its employees and systems to support its plans for future growth. This will again be an important development in the next fiscal year.

Overseas branches

The Company operates overseas branches in Germany, Dubai, The Netherlands and Denmark.

Principal risks and uncertainties

The Company's activities give rise to a number of risks and uncertainties. The directors review and agree policies for managing each of these risks and they are summarised below:

Currency risk

The Company's profit and loss account and balance sheet are reported in pounds Sterling and may be affected by fluctuations in exchange rates. A significant majority of the Company's business activities are conducted in both US Dollars and Euros. In light of its foreign currency exposure, the Company hedges its US Dollar denominated transactions.

Credit risk

The continuing challenging credit environment has highlighted the importance of governance and management of credit risk. Credit exposure risk is monitored centrally for individual transactions and the appropriateness of customer credit limits. The Company also uses credit insurance provided by Euler Hermes.

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs by the use of loans from group companies and cash reserves. Management control and monitor the Company's cash flow on a regular basis.

AUDIO-TECHNICA LIMITED

STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2018

Financial key performance indicators

The directors have monitored the progress of the company strategy and a review of the Key Performance Indicators (KPIs) is provided below:

KPI	Progress
Revenue	Revenue has increased to £49.9m in the year to 31 March 2018 from £44.4m in the year to 31 March 2017. The revenue has grown in the last fiscal year driven by sales of turntables into the vinyl market and professional headphones through the Amazon channel. This helped to lift sales by 11.6%.
Margin	Gross margin was 32.4% in the year to 31 March 2018 compared to 33.0% in the prior year. Gross margin pressure from high volume business through the mass retail channel was the main reason for the drop. Gross margin will continue to be under pressure as the Company drives sales through these channels in future.

Cash Management The Company manages its capital to ensure it is able to continue as a going concern while minimising costs and liquidity risk. At 31 March 2018 the Company has cash reserves of £4.0m (2017 - £4.3m). This is sufficient for the ongoing working capital requirements of the Company.

This report was approved by the board and signed on its behalf.



AJ Rooke
Director

Date: 11th July 2018

AUDIO-TECHNICA LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2018

The directors present their report and the financial statements for the year ended 31 March 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 to 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.

Principal activity

The principal activity of the Company during the current and prior year was the supply of professional audio equipment.

Results and dividends

The profit for the year, after taxation, amounted to £2,022,190 (2017 - £3,600,562).

During the year the directors recommended the payment of two dividends for €200,000 and \$525,000.

Directors

The directors who served during the year were:

K Matsushita
PJ Cajka
AJ Rooke
R Garrido
S Horibe
R Morgan-Males

AUDIO-TECHNICA LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

Future developments

The Company is strongly connected to the Eurozone with 75% of its turnover generated from European markets. The uncertainty generated by UK EU Referendum result in 2016 will continue be monitored closely by the directors.

Specific actions have already been taken; the establishment of a European Distribution Centre in The Netherlands and a shift of appropriate levels of inventory to service the European market. The existing UK warehouse will service the UK market. The process to create a GmbH in Germany has started and expected to be concluded within the next fiscal year.

The existing business model will continue to be assessed for its suitability to maintain the existing growth curve.

The Company is expected to show further significant growth in sales from continuing operations and in particular in the mass retail channel.

The Company will continue to invest in its employees and has plans already in place to strengthen the skill base to meet the expected sales growth.

Matters covered in the strategic report

Details of principal risks and uncertainties are disclosed in the Strategic Report.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the Company since the year end.

Auditor

On 25 June 2018, Crowe Clark Whitehill LLP changed its name to Crowe U.K. LLP. Crowe U.K. LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



AJ Rooke
Director

Date:

11th July 2018

AUDIO-TECHNICA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AUDIO-TECHNICA LIMITED

Opinion

We have audited the financial statements of Audio-Technica Limited (the 'Company') for the year ended 31 March 2018, which comprise the Profit and loss account, the Statement of comprehensive income, the Balance sheet, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Use of our report

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included

AUDIO-TECHNICA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AUDIO-TECHNICA LIMITED (CONTINUED)

in the Annual Report, other than the financial statements and our Auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

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We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

AUDIO-TECHNICA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AUDIO-TECHNICA LIMITED
(CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's report.



Michael Jayson (Senior statutory auditor)

for and on behalf of
Crowe U.K. LLP

Statutory Auditor

3rd floor
The Lexicon
Mount Street
Manchester
M2 5NT

Date: **20 JUL 2018**

AUDIO-TECHNICA LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Turnover	4	49,965,724	44,751,234
Cost of sales		(33,794,057)	(29,967,308)
Gross profit		16,171,667	14,783,926
Distribution costs		(6,286,227)	(4,858,789)
Administrative expenses		(7,277,181)	(5,441,010)
Operating profit	5	2,608,259	4,484,127
Interest receivable and similar income	8	2,257	5,858
Interest payable and similar expenses	9	(46,928)	(37,275)
Profit before tax		2,563,588	4,452,710
Tax on profit	10	(541,398)	(852,148)
Profit for the financial year		2,022,190	3,600,562

The notes on pages 12 to 28 form part of these financial statements.

AUDIO-TECHNICA LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £	2017 £
Profit for the financial year		2,022,190	3,600,562
Other comprehensive income			
Cash flow hedges - change in value of hedging instrument		(1,472,753)	372,252
Other comprehensive income for the year		(1,472,753)	372,252
Total tax on components of other comprehensive income		250,368	(63,283)
Total comprehensive income for the year		799,805	3,909,531

The notes on pages 12 to 28 form part of these financial statements.

AUDIO-TECHNICA LIMITED
REGISTERED NUMBER: 01385176

BALANCE SHEET
AS AT 31 MARCH 2018

	Note	2018 £	2017 £
Fixed assets			
Intangible assets	11	229,677	156,068
Tangible assets	12	522,933	294,182
		<u>752,610</u>	<u>450,250</u>
Current assets			
Stocks	13	9,631,480	9,618,349
Debtors: amounts falling due within one year	14	5,745,700	4,494,818
Cash at bank and in hand	15	4,071,778	4,368,036
		<u>19,448,958</u>	<u>18,481,203</u>
Creditors: amounts falling due within one year	16	(6,883,405)	(5,463,360)
Net current assets		<u>12,565,553</u>	<u>13,017,843</u>
Total assets less current liabilities		<u>13,318,163</u>	<u>13,468,093</u>
Provisions for liabilities			
Deferred tax	18	-	(112,879)
Net assets		<u><u>13,318,163</u></u>	<u><u>13,355,214</u></u>
Capital and reserves			
Called up share capital	19	40,102	40,102
Share premium account	20	3,405,868	3,405,868
Other reserves	20	(1,222,385)	308,969
Profit and loss account	20	11,094,578	9,600,275
		<u><u>13,318,163</u></u>	<u><u>13,355,214</u></u>

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

11 JUL 2018


K Matsushita
Director


AJ Rooke
Director

The notes on pages 12 to 28 form part of these financial statements.

AUDIO-TECHNICA LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital £	Share premium account £	Hedge reserve £	Profit and loss account £	Total equity £
At 1 April 2016	40,102	3,405,868	(61,514)	6,941,329	10,325,785
Comprehensive income for the year					
Profit for the year	-	-	-	3,600,562	3,600,562
Taxation in respect of items of other comprehensive income	-	-	(63,283)	-	(63,283)
Change in fair value of hedging instrument	-	-	372,252	-	372,252
Other comprehensive income for the year	-	-	308,969	-	308,969
Total comprehensive income for the year	-	-	308,969	3,600,562	3,909,531
Dividends: Equity capital	-	-	-	(941,616)	(941,616)
Transfer to/from profit and loss account	-	-	61,514	-	61,514
At 1 April 2017	40,102	3,405,868	308,969	9,600,275	13,355,214
Comprehensive income for the year					
Profit for the year	-	-	-	2,022,190	2,022,190
Taxation in respect of items of other comprehensive income	-	-	250,368	-	250,368
Change in fair value of hedging instrument	-	-	(1,472,753)	-	(1,472,753)
Other comprehensive income for the year	-	-	(1,222,385)	-	(1,222,385)
Total comprehensive income for the year	-	-	(1,222,385)	2,022,190	799,805
Dividends: Equity capital	-	-	-	(527,887)	(527,887)
Transfer to/from profit and loss account	-	-	(308,969)	-	(308,969)
At 31 March 2018	40,102	3,405,868	(1,222,385)	11,094,578	13,318,163

The notes on pages 12 to 28 form part of these financial statements.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

1. General information

Audio-Technica Limited ("the Company") supplies professional audio equipment.

The Company is a private company limited by shares and is incorporated in England. The registered office and principal place of business is Technica House, Unit 5, Millennium Way, Leeds, LS11 5AL. The registered number is 01385176.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Audio Technica Europe Holding BV as at 31 March 2018 and these financial statements may be obtained from the Chamber of Commerce in the Netherlands (Kamer van Koophandel).

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.4 Intangible assets

The estimated useful lives range as follows:

Computer software	-	Between 3 and 5 years straight line
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Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

2.5 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The estimated useful lives range as follows:

Leasehold property	- 10 years straight line
improvements	
Fixtures & fittings	- Between 3 and 5 years straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within administrative expenses in the Statement of Comprehensive Income.

AUDIO-TECHNICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

2. Accounting policies (continued)

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a weighted average cost basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.9 Financial instruments

(i) Financial assets

Basic financial assets, including trade and other debtors, cash and bank balances, are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. 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 the Profit and loss account.

If there is 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 the Profit and loss account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and loans from fellow group companies, 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.

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. Trade creditors 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.

Derivatives, including interest rate swaps, 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 the Profit and loss account, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.10 Hedge accounting

The Company has entered into forward foreign currency contracts to manage its exposure to currency fluctuations on its EU sales. These derivatives are measured at fair value at each balance sheet date. To the extent the hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the period.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and loss account except when deferred in other comprehensive income as qualifying cash flow hedges.

2.12 Finance costs

Finance costs are charged to the Profit and loss account over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income

Interest income is recognised in the Profit and loss account using the effective interest method.

2.17 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Profit and loss account in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Profit and loss account, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical judgements in applying the company's accounting policies

The functional currency for the Company is the currency of the primary economic environment in which the Company operates. The company has determined the functional currency is GBP. Determination of functional currency may involve certain judgements to determine the primary economic environment. The company reconsiders the functional currency if there is a change in events and conditions which determines the primary economic environment.

(b) Key accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 are addressed below.

(i) Provisions

Provision is made for asset retirement obligations, dilapidations, warranties and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

(ii) Impairment of debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience. See note 14 for the net carrying amount of the debtors and associated impairment provision.

4. Turnover

The whole of the turnover is attributable to one principal business activity of the Company.

Analysis of turnover by country of destination:

	2018 £	2017 £
United Kingdom	12,077,067	11,454,389
Rest of Europe	36,672,011	31,977,725
Rest of the world	1,216,646	1,319,120
	<u>49,965,724</u>	<u>44,751,234</u>

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

5. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	155,489	108,270
Amortisation of intangible assets, including goodwill	74,018	130,680
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14,300	14,000
Exchange differences	690,498	(378,829)
Other operating lease rentals	544,127	341,634
Defined contribution pension cost	188,053	147,584
	<u>188,053</u>	<u>147,584</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2018 £	2017 £
Wages and salaries	4,720,112	4,066,700
Social security costs	494,898	385,626
Cost of defined contribution scheme	188,053	147,584
	<u>5,403,063</u>	<u>4,599,910</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Administration and sales	80	72
Warehouse and service	12	9
	<u>92</u>	<u>81</u>

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

7. Directors' remuneration

	2018 £	2017 £
Directors' emoluments	291,733	226,364
Company contributions to defined contribution pension schemes	33,600	26,560
Amounts paid to third parties in respect of directors' services	225,751	214,594
	<u>551,084</u>	<u>467,518</u>

During the year retirement benefits were accruing to 2 directors (2017 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £147,733 (2017 - £124,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £16,800 (2017 - £14,400).

8. Interest receivable

	2018 £	2017 £
Other interest receivable	2,257	5,858
	<u>2,257</u>	<u>5,858</u>

9. Interest payable and similar expenses

	2018 £	2017 £
Loans from group undertakings	46,928	37,275
	<u>46,928</u>	<u>37,275</u>

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10. Taxation

	2018 £	2017 £
Corporation tax		
Current tax on profits for the year	495,112	877,948
Adjustments in respect of previous periods	46,286	-
Total current tax	<u>541,398</u>	<u>877,948</u>
Deferred tax		
Origination and reversal of timing differences	-	(1,418)
Changes to tax rates	-	(9,003)
Movement in derivative contracts	-	(15,379)
Total deferred tax	<u>-</u>	<u>(25,800)</u>
Taxation on profit on ordinary activities	<u>541,398</u>	<u>852,148</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - lower than) the standard rate of corporation tax in the UK of 19% (2017 - 20%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>2,563,588</u>	<u>4,452,710</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 - 20%)	487,082	890,542
Effects of:		
Expenses not deductible for tax purposes	9,206	8,227
Other timing differences leading to an increase (decrease) in taxation	-	(37,618)
Other differences leading to an increase (decrease) in the tax charge	(1,176)	(9,003)
Adjustments in respect of previous periods	46,286	-
Total tax charge for the year	<u>541,398</u>	<u>852,148</u>

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

10. Taxation (continued)

Factors that may affect future tax charges

The deferred tax balance at 31 March 2018 has been calculated at 17% (2017 - 17%).

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

The UK corporation tax rate was reduced to 19% from 1 April 2017 and a further reduction to 18% from 1 April 2020 was announced in the summer budget of 2015. Additionally, in the 2016 March budget, it was announced that the main rate of corporation tax from 1 April 2020 shall instead be 17%. Deferred tax is calculated using the rates substantively enacted at 31 March 2018.

11. Intangible assets

	Patents £	Computer software £	Total £
Cost			
At 1 April 2017	88,404	624,448	712,852
Additions	-	147,627	147,627
At 31 March 2018	88,404	772,075	860,479
Amortisation			
At 1 April 2017	88,404	468,380	556,784
Charge for the year	-	74,018	74,018
At 31 March 2018	88,404	542,398	630,802
Net book value			
At 31 March 2018	-	229,677	229,677
At 31 March 2017	-	156,068	156,068

The amortisation charged in the period, as stated above has been recognised in administration expenses in line with prior periods. Amortisation has been recognised in line with the accounting policies detailed in note 2.4.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

12. Tangible fixed assets

	Leasehold property improvements £	Fixtures & fittings £	Total £
Cost or valuation			
At 1 April 2017	205,627	517,660	723,287
Additions	107,348	277,033	384,381
Disposals	-	(341)	(341)
At 31 March 2018	312,975	794,352	1,107,327
Depreciation			
At 1 April 2017	87,074	342,031	429,105
Charge for the year on owned assets	29,381	126,108	155,489
Disposals	-	(200)	(200)
At 31 March 2018	116,455	467,939	584,394
Net book value			
At 31 March 2018	196,520	326,413	522,933
At 31 March 2017	118,553	175,629	294,182

13. Stocks

	2018 £	2017 £
Finished goods and goods for resale	9,631,480	9,618,349
	9,631,480	9,618,349

Stock recognised in cost of sales during the year as an expense was £34.0m (2017 - £29.7m).

An impairment loss of £759,398 (2017 - £714,317) was recognised in cost of sales against stock during the year due to slow-moving and obsolete stock.

AUDIO-TECHNICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

14. Debtors

	2018 £	2017 £
Trade debtors	4,531,512	3,500,247
Amounts owed by group undertakings	431,650	282,303
Other debtors	314,585	14,593
Prepayments and accrued income	267,181	325,423
Deferred taxation	200,772	-
Derivative financial instruments	-	372,252
	<u>5,745,700</u>	<u>4,494,818</u>

Trade debtors are stated after provisions for impairment of £155,612 (2017 - £119,063).

Amounts owed by group undertakings are unsecured, interest free, have no fixed repayment terms and are repayable on demand.

15. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	4,071,778	4,368,036
	<u>4,071,778</u>	<u>4,368,036</u>

16. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	430,089	528,376
Amounts owed to group undertakings	1,497,555	2,030,845
Corporation tax	337,473	580,696
Other taxation and social security	111,901	157,067
Other creditors	9,527	15,901
Accruals and deferred income	3,024,107	2,150,475
Derivative financial instruments	1,472,753	-
	<u>6,883,405</u>	<u>5,463,360</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed repayment terms and are repayable on demand.

AUDIO-TECHNICA LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

17. Derivative financial instruments

Financial assets measured at fair value through profit or loss comprise forward foreign currency contracts. The Company enters into forward foreign currency contracts to mitigate the exposure to the variability in cashflows associated with highly probable forecasted purchases, which arise as a result of their denomination in foreign currencies. These cashflows, i.e. purchases, are expected to occur within the next twelve months.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are the forward exchange rates for Euros and US Dollars. The fair value of the forward foreign currency contracts at the year end were recognised as a liability of £1,472,753 (2017 - asset of £372,252). As a result of underlying hedged items occurring during the year, an amount of £308,969 was reclassified from the Hedge reserve in Equity to the Profit and Loss Account during the year.

At the date of approval of these financial statements, the value of the forward foreign currency contracts in existence at the year end was a liability of approximately £700,000. The reduction in the liability is due to the strengthening of the US Dollar against other currencies including the Euro post year end.

18. Deferred taxation

	2018 £	2017 £
At beginning of year	(112,879)	(60,017)
Charged to the profit or loss	63,283	10,421
Charged to other comprehensive income	250,368	(63,283)
At end of year	200,772	(112,879)

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(49,596)	(49,596)
Deferred tax on derivative contracts	250,368	(63,283)
	200,772	(112,879)

AUDIO-TECHNICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

19. Share capital

	2018 £	2017 £
Allotted, called up and fully paid		
40,102 Ordinary shares of £1 each	<u>40,102</u>	<u>40,102</u>

20. Reserves

Share premium account

The Share premium reserve is used to record the difference between the par value of the Company's shares and the amount the Company received in consideration for newly issued shares.

Hedge reserve

The Hedge reserve is used to record transactions arising from the Company's cash flow hedging arrangements.

Profit & loss account

The profit and loss reserve represents accumulated comprehensive income for the year and prior periods.

21. Capital commitments

At 31 March 2018 the Company had capital commitments as follows:

	2018 £	2017 £
Contracted for but not provided in these financial statements	<u>124,822</u>	-
	<u>124,822</u>	<u>-</u>

22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £188,053 (2017 - £147,584). Contributions totalling £26,159 (2017 - £26,972) were payable to the fund at the balance sheet date

AUDIO-TECHNICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

23. Commitments under operating leases

At 31 March 2018 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Land and buildings		
Not later than 1 year	407,253	126,245
Later than 1 year and not later than 5 years	1,237,898	286,109
	<u>1,645,151</u>	<u>412,354</u>
	2018 £	2017 £
Other		
Not later than 1 year	103,597	101,557
Later than 1 year and not later than 5 years	80,887	93,734
	<u>184,484</u>	<u>195,291</u>

24. Related party transactions

The majority of goods for resale were purchased from fellow group companies, in addition to other cost recharges. An analysis of these transactions by group company is shown below:

	Other recharges £	Sales / (Purchases) £	2018 Balance £	2017 Balance £
Audio Technica Corporation	-	(19,407,170)	(1,270,832)	(1,546,590)
Audio Technica US Inc.	-	(315,665)	(28,682)	(94,535)
Audio Technica Taiwan	-	(458,241)	(14,119)	(22,621)
Audio Technica SAS	(1,953,253)	37,926	(182,564)	(337,242)
Audio-Technica Europe BV	(17,273)	-	(1,358)	(995)
Audio Technica Benelux BV	-	892,693	161,028	(28,862)
Audio Technica (Greater China)	-	19,916	605	22,799
Audio Technica (SEA) Pte Ltd	-	-	-	1,069
Audio Technica Central Europe	(50,493)	1,442,888	63,203	61,818
Audio-Technica Iberia SAU	(221,112)	1,076,140	206,814	178,024

All related parties above have the same ultimate parent company.

All balances are not secured and are repayable on demand within the credit limits.

AUDIO-TECHNICA LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

25. Controlling party

The Company is a wholly owned subsidiary of Audio Technica Europe Holding BV, a company incorporated in the Netherlands. The ultimate parent company is Audio Technica Corporation which is incorporated in Japan.

The largest group of undertakings for which group accounts have been drawn up is that headed by Audio Technica Corporation, and the smallest such group of undertakings including the company is Audio Technica Europe Holding BV.