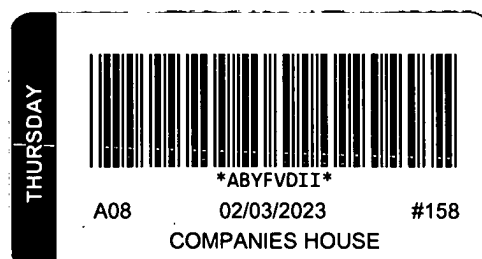


Canford Audio Limited

Annual report

31 October 2022



Canford Audio Limited

Company information

Directors J S Francis
G D Byers
C J Arnold
M Brindley (appointed 24 November 2021)
G A Drake (appointed 24 November 2021)
A R Wilson (appointed 24 November 2021)

Company secretary J S Francis

Registered number 01385727

Registered office Crowther Road
Washington
Tyne & Wear
NE38 0BW

Independent auditor UNW LLP
Chartered Accountants
Citygate
St James' Boulevard
Newcastle Upon Tyne
NE1 4JE

Bankers Lloyds Bank plc
102 Grey Street
Newcastle Upon Tyne
NE1 6AG

Solicitors Ward Hadaway
102 Quayside
Newcastle Upon Tyne
NE1 3DX

Canford Audio Limited

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Canford Audio Limited

Strategic report

For the year ended 31 October 2022

Introduction

The directors present their strategic report together with the audited financial statements for the year ended 31 October 2022.

Business development and performance review

The company's core activity is the manufacture and sale of professional audio equipment. The Canford brand is renowned and widely respected for product quality, level of service and for the diversity of stock lines on offer.

A number of related comprehensive websites serve as the Canford catalogue, supported by a wealth of technical knowledge and multiple language skills, in our offices at Washington, Tyne and Wear, on the Isle of Portland, Dorset, at Erstein, close to Strasbourg, France, and in Dubai. The main website is www.canford.co.uk, while there are versions in French and German at www.canford.fr and www.canford.de. These support both direct exports from the UK and sales through the French subsidiary.

As noted in the Directors' Report, Iain Elliott died on 29 December 2021. Iain was the company's main founder and its Chief Executive Officer. His knowledge of our industry, the products and many of the people within it was unrivalled. He will be sadly missed.

Last year the company took steps to diversify membership of the board of directors and appointed more executive members to the board. Alan Wilson, one of those individuals appointed, has since taken on the role of Chief Executive Officer.

As noted a year ago, Canford has a broad customer base, but the business of many significant customers (especially those involved in tours and 'events') was heavily impacted by the Covid pandemic. Throughout the financial year, and especially after March 2022, the company saw turnover recover to pre-pandemic levels, aided by businesses recovering after the pandemic and our continued close relationships with our customers. Proactive methodologies started in the prior year have continued within our sales team. The company saw a large recovery in UK turnover especially. Company total turnover for the year finished at £18,944,176.

Although expenses in the year were higher than 2021, they remained under control. The company was profitable in each quarter, with a pre-tax profit for the year of £1,931,608.

Cash flow remained strong and the company has met all its financial obligations.

The project to replace part of the Washington site roof and install a solar panel system is well underway and due for completion by the Spring of 2023. This investment alone will cost circa £450k but will help to reduce our carbon footprint and provide us with a short to medium term return on investment and help to reduce our energy costs for years to come. We have also replaced almost all lighting with LED and installed PIR/motion detection lighting in all communal areas.

The company has seen some early success with the new Canford SMPTE cable with some major customers placing orders for assemblies.

With the recovery of the touring market post pandemic, sales growth is now being seen with EMO products that were launched pre-COVID.

Canford is the market leader for professional audio and video cables for installations. As mentioned a year ago, investment in stock has now taken place with regards to CPR class cables.

Preparations have been undertaken with regards to UKCA marking, in readiness for new regulations coming into force December 2024.

The company continues to expand and develop its manufacturing facilities in order to meet increasing customer demand, by adding capacity as required across all sites.

Canford Audio Limited

Strategic report (continued) For the year ended 31 October 2022

The demand for custom metal connection panels continues to increase, with Canford recognised as market leader in this sector. Canford continues to be architect-specified for audio and video connectivity solutions in many of the highest profile sports stadiums in both Europe and the Middle East, as well as theatres, live events and conference facilities. This sustained growth supports further investment in our manufacturing site on the Isle of Portland, UK.

Key performance indicators

The directors consider the Key Performance Indicators of the company to consist of turnover, gross profit, and the proportion of sales of manufactured goods.

Turnover for 2022 was £18,944,176 compared to £14,507,452 in 2021.

Gross profit for 2022 was £5,995,806 (31.6%) compared to £4,246,159 (29.3%) in 2021.

Sales of manufactured goods for 2022 was £6,097,271 (32.2%) compared to £4,397,009 (30.3%) in 2021.

The directors are proud of all that was achieved during the year ended 31st October 2022. Once again, we express our thanks to our loyal staff, customers and suppliers for this major achievement.

Canford's ownership

Canford Group Limited is wholly owned and controlled by the Canford Employee Ownership Trust. It is the intention that the trust will hold the shares for the benefit of current and future employees of the group for the maximum period of 125 years permitted by UK legislation.

The trust has not paid for the shares in full, and a substantial balance remains due from the trust to former shareholders. It was the intention for the group to make further payments to the trust from profits over a five year period from December 2019. The recent pandemic rendered that timescale unrealistic and further payments on account were suspended till December 2021. The group recommenced payments to the trust early in 2022.

Position at the year end

The company ended the financial year in a strong position, with approximately £1.6m in the bank.

Trading risk

The global pandemic has been an obvious trading risk over the last two to three years, and the company has weathered it well with support from HM Government. We also acknowledge the hard work, commitment and sacrifices made by members of the Canford team.

The company is also monitoring current challenges including the threat of recession looming over us, currency fluctuations, short supply of raw materials, and geopolitical tensions and conflicts affecting the whole world.

Canford Audio Limited

Strategic report (continued) For the year ended 31 October 2022

Plans for future periods

Canford's own brands are an important source of sales growth, with continuing high demand for both standard products and custom variations. New products continue to be developed in all areas of production, which have been shown to be very strong performers with great customer trust in reliability and quality. We also continually look to expand our entire portfolio to keep up with latest trends and technologies.

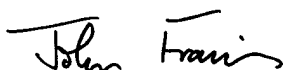
Further development of Canford's unique technology for level-limiting professional use headphones continues, with developments of noise-cancelling types for the security services markets.

We see further growth in Fibre and will be looking to add other "jackets" to the Canford SMPTE offering.

Our iconic Illuminated sign has undergone a redesign, including an LED bulb, and version 3 will be launched in early 2023.

We are committed to sustainable business practices and are set to invest significant amounts of money over the next few years in eco-friendly initiatives as we strive to have as little impact on the environment as possible.

This report was approved by the board on 18 January 2023 and signed on its behalf by:



J S Francis
Director

Canford Audio Limited

Directors' report For the year ended 31 October 2022

The directors present their report and the financial statements for the year ended 31 October 2022.

Principal activity

The company continues to be principally engaged in the manufacture and distribution of professional audio, video and data equipment.

Results and dividends

The profit for the year, after taxation, amounted to £1,567,013 (2021:£737,591).

Distributions of £1,632,779 were paid during the year (2021: £nil). The directors do not recommend the payment of a final dividend.

Directors

The directors who served during the year were:

I S Elliott (deceased 29 December 2021)
J S Francis
H W Bachmann (resigned 11 August 2022)
G D Byers
C J Arnold
M Brindley (appointed 24 November 2021)
G A Drake (appointed 24 November 2021)
A R Wilson (appointed 24 November 2021)

The directors are sad to report the death of Iain Elliott on 29 December 2021.

Principal risks and uncertainties

The company's operations expose it to a variety of financial risks including exchange rate risks. The company continuously reviews its foreign currency exposure and other financial risks.

The company has implemented policies that require appropriate credit checks on potential customers before sales are made. Credit control policy is directed towards maximising retention of clients whilst minimising debtor days.

The company has healthy cash reserves, ensuring that it has sufficient funds for ongoing operations and future investments.

Environmental matters

The company will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The company has complied with all applicable legislation and regulations.

Research and development activities

The company is committed where necessary to research and development activities in order to secure its position as a market leader in the supply of professional audio, video and data equipment.

Canford Audio Limited

Directors' report (continued) For the year ended 31 October 2022

Employee involvement

Information on matters of concern to employees is communicated on a regular basis by a variety of means, including bi-annual update letters, to seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance.

Employee safety and wellbeing remains the company's prime concern at all our premises.

It is the company's policy that disabled people should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining. The company is prepared to modify procedures or equipment, wherever this is practicable, so that full use can be made of an individual's abilities.

Directors' liability insurance

As permitted by the Articles of Association, the directors have the benefit of an indemnity which is qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The company also purchased and maintained throughout the financial year directors' and officers' liability insurance in respect of itself and its directors.

Matters covered in the Strategic report

The following information, which would otherwise be disclosed in the directors' report, is instead disclosed in the strategic report, as permitted by section 414C (11) of the Companies Act 2006:

- financial risk management objectives and policies
- future developments

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.

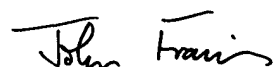
Post balance sheet events

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

Auditor

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

This report was approved by the board on 18 January 2023 and signed on its behalf by:



J S Francis
Director

Canford Audio Limited

Directors' responsibilities statement For the year ended 31 October 2022

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 and then apply them consistently;
- make judgments 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 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in directors' reports may differ from legislation in other jurisdictions.



Independent auditor's report to the members of Canford Audio Limited

Opinion

We have audited the financial statements of Canford Audio Limited (the 'company') for the year ended 31 October 2022, which comprise 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 October 2022 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.



Independent auditor's report to the members of Canford Audio Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 set out on page 6, 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.



Independent auditor's report to the members of Canford Audio 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We identified areas of law and regulations that could reasonably be expected to have a material effect on the financial statements from our general and sector experience and through discussions with the directors and other management (as required by Auditing Standards) and from inspection of the company's legal correspondence and we discussed with the directors and other management the policies and procedures regarding compliance with the laws and regulations. We communicated identified laws and regulations within our team and remained alert to any indications of non compliance throughout the audit.

Firstly, the company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation's (including related companies legislation), distributable profits legislation and taxation legislation and we have assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the company is subject to many other laws and regulations where the consequences of non compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines and litigation. We identified the following areas as those most likely to have such an effect; health and safety, employment law, data protection, environmental law and certain aspects of company legislation, recognising the nature of the company's activities. Auditing Standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures we have not become aware of any actual or suspected non-compliance material to the financial statements.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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.



Independent auditor's report to the members of Canford Audio Limited (continued)

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.

Anne Hallowell

Anne Hallowell BSc DChA FCA (Senior Statutory Auditor)
for and on behalf of UNW LLP, Statutory Auditor
Chartered Accountants
Newcastle upon Tyne

18 January 2023

Canford Audio Limited

Statement of comprehensive income For the year ended 31 October 2022

	Note	2022 £	2021 £
Profit and loss account			
Turnover	5	18,944,176	14,507,452
Cost of sales		(12,948,370)	(10,261,293)
Gross profit		5,995,806	4,246,159
Distribution costs		(533,928)	(460,974)
Administrative expenses		(3,496,523)	(3,059,503)
Other operating income	6	-	235,283
Operating profit	7	1,965,355	960,965
Interest receivable and similar income		-	105
Interest payable and similar charges	10	(33,747)	(36,468)
Profit on ordinary activities before taxation		1,931,608	924,602
Tax on profit on ordinary activities	11	(364,595)	(187,011)
Profit for the financial year		1,567,013	737,591

There was no other comprehensive income for 2022 or 2021.


The notes on pages 14 to 26 form part of these financial statements.

Canford Audio Limited

Balance sheet As at 31 October 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	12	223,741	212,946
Investments	13	1	1
		<u>223,742</u>	<u>212,947</u>
Current assets			
Stocks	14	3,581,066	2,911,674
Debtors	15	2,094,898	1,478,315
Cash at bank and in hand		1,639,006	1,590,131
		<u>7,314,970</u>	<u>5,980,120</u>
Creditors: amounts falling due within one year	16	(4,432,323)	(2,925,005)
Net current assets		<u>2,882,647</u>	<u>3,055,115</u>
Total assets less current liabilities		<u>3,106,389</u>	<u>3,268,062</u>
Creditors: amounts falling due after more than one year	17	(725,444)	(828,334)
Provisions for liabilities			
Deferred taxation	19	(44,061)	(37,078)
Net assets		<u>2,336,884</u>	<u>2,402,650</u>
Capital and reserves			
Called up share capital	20	100,000	100,000
Profit and loss account	21	2,236,884	2,302,650
Total equity		<u>2,336,884</u>	<u>2,402,650</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 January 2023.



A R Wilson
Director

Company registered number: 01385727

The notes on pages 14 to 26 form part of these financial statements.

Canford Audio Limited

Statement of changes in equity For the year ended 31 October 2022

	Called up share capital £	Profit and loss account £	Total equity £
At 1 November 2020	100,000	1,565,059	1,665,059
Profit for the year	-	737,591	737,591
At 1 November 2021	100,000	2,302,650	2,402,650
Profit for the year	-	1,567,013	1,567,013
Contribution to Canford Employee Ownership Trust	-	(1,632,779)	(1,632,779)
At 31 October 2022	100,000	2,236,884	2,336,884

The notes on pages 14 to 26 form part of these financial statements.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

1. General information

Canford Audio Limited ('the company') is engaged in the manufacturing and distribution of professional audio, video and data equipment.

The company is a private company limited by shares, incorporated in the United Kingdom and registered in England. The address of the registered office is given on the company information page of these financial statements.

2. Statement of compliance

The financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' ('FRS 102') and the Companies Act 2006.

3. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

3.1 Basis of preparation

These financial statements are the company's separate financial statements. The company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements, on the basis that it is itself a subsidiary undertaking and is included in the consolidated financial statements of its parent undertaking, Canford Group Limited, which are publicly available.

The financial statements are prepared on a going concern basis and under the historical cost convention. They are presented in pounds sterling and are rounded to the nearest pound.

The preparation of financial statements in conformity with FRS 102 required the use of certain critical accounting estimates. It also required management to exercise judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

3.2 Reduced disclosures

FRS 102 allows a qualifying entity certain disclosure exemptions. The company meets the definition of a qualifying entity and has taken advantage of the exemption relating to the preparation of a cash flow statement. The consolidated financial statements of Canford Group Limited include a consolidated cash flow statement.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

3. Accounting policies (continued)

3.3 Going concern

In determining the appropriate basis of preparation of the financial statements, the directors are required to consider whether the group can continue in operational existence for the foreseeable future, being a period of at least 12 months from the date of signing of these financial statements.

The directors have prepared profit and cash flow forecasts for a period in excess of 12 months from the date of their approval of these financial statements.

The cash flow forecasts that the directors have prepared are based on their current best estimate of trading levels with the company's key customers and the company's expected cost base and show that the company can maintain sufficient financial headroom and operate within the current available bank facilities for the foreseeable future.

In the year to 31 October 2022, the profit for the year was £1,567,013 (2021: £737,591). At 31 October 2022 the net current asset position was £2,882,647 (2021: £3,055,115) and net assets of £2,336,884 (2021: £2,402,650).

Whilst the continuing risks in this regard cannot be completely mitigated and therefore some level of future uncertainty remains, the directors continue to adopt measures and assess the financial implications of associated factors outside their control alongside reviewing revised forecasts and future projections. Based on those forecasts and projections, the directors do not consider the residual uncertainties to be material to the company's ability to continue meeting its liabilities as they fall due in the foreseeable future and, accordingly, they continue to prepare the financial statements on a going concern basis.

3.4 Revenue recognition

Turnover

Turnover comprises revenue recognised in respect of goods supplied during the year, net of discounts and excluding Value Added Tax.

Interest income

Interest income is recognised on an accruals basis.

3.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price plus any further costs directly attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Plant and machinery	-	10% to 33% straight-line
Motor vehicles	-	25% straight-line
Computer equipment	-	20% to 50% straight-line

Asset residual values and useful lives are reviewed at the end of each reporting period, and adjusted if appropriate. The effect of any change is accounted for prospectively.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

3. Accounting policies (continued)

3.6 Leases

All of the company's leasing arrangements are operating leases. Rental payments under operating leases are charged to the profit and loss account on a straight-line basis over the lease term, even if payments are not made on such a basis.

3.7 Fixed asset investments

Investments in subsidiary undertaking are measured at cost less accumulated impairment losses.

3.8 Stocks

Stocks are stated at the lower of cost or estimated selling price less costs to complete and sell. Cost includes all direct costs and, for manufactured stocks and work in progress, an appropriate proportion of fixed and variable overheads (based on normal operating capacity). Cost is determined using the first-in first-out (FIFO) method.

A provision is made as necessary for damaged, obsolete or slow-moving items.

3.9 Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, cash and bank balances, bank loans and loans to or from related parties, including fellow group companies.

Debt instruments due within one year are measured, initially and subsequently, at the transaction price. Debt instruments due after one year are measured initially at the transaction price and subsequently at amortised cost using the effective interest method.

At the end of each reporting period debt financial assets are assessed for impairment, and their carrying value reduced if necessary. Any impairment charge is recognised in the profit and loss account.

3.10 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 obligation.

Provisions are charged as an expense to the statement of comprehensive income 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.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

3. Accounting policies (continued)

3.11 Employee benefits

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

Defined contribution pension plan

The company operates a defined contribution pension plan for its employees. Contributions are recognised as an expense when they fall due. Amounts due but not yet paid are included within creditors on the balance sheet. The assets of the plan are held separately from the company in independently administered funds.

3.12 Foreign currency

The company's functional currency is the pound sterling.

Transactions and balances

Transactions in foreign currencies are translated into sterling using the spot exchange rates at the dates of the transactions. At each period end, foreign currency monetary assets and liabilities are translated using the closing rate. Foreign exchange gains and losses resulting from the settlement of transactions and from the period-end retranslation are recognised in the profit and loss account.

3.13 Borrowing costs

All borrowing costs are recognised in the profit and loss account in the period in which they are incurred.

3.14 Research and development

Research and development expenditure is written off to the profit and loss account in the period in which it is incurred.

3.15 Taxation

The taxation expense for the year comprises current and deferred tax and is recognised in the profit and loss account.

Current tax is the amount of corporation tax payable in respect of the taxable profit for the current or past reporting periods. It is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods and arises from 'timing differences' (where transactions or events are included in the financial statements in periods different from those in which they are assessed for tax). Deferred tax is recognised in respect of all timing differences, except that unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

3. Accounting policies (continued)

3.16 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.

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

Estimates and judgments 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.

Significant judgments in applying the entity's accounting policies

In preparing these financial statements the directors do not consider there were any significant areas of judgment that were required in applying the company's accounting policies as set out above.

Key sources of estimation uncertainty

Estimates included within these financial statements include depreciation and asset impairments (for example stock provisions). None of the estimates made in the preparation of these financial statements are considered to carry significant estimation uncertainty, nor to bear any significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

5. Turnover

The whole of the turnover is attributable to the principal activity of the company.

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	12,668,186	9,101,169
Rest of the world	6,275,990	5,406,283
	<u>18,944,176</u>	<u>14,507,452</u>

6. Other operating income

	2022 £	2021 £
Coronavirus Job Retention Scheme (CJRS)	-	235,283
	<u>-</u>	<u>235,283</u>

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

7. Operating profit

The operating profit is stated after charging:

	2022 £	2021 £
Research & development charged as an expense	110,936	106,184
Depreciation of tangible fixed assets	106,565	164,379
Net impairment of stocks	82,186	33,441
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	23,200	21,500
Exchange differences	(22,926)	3,266
Operating lease rentals	18,467	20,954

8. Employees

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

	2022 £	2021 £
Wages and salaries	3,540,715	3,111,836
Social security costs	318,266	261,225
Cost of defined contribution pension scheme	145,559	142,876
	<u>4,004,540</u>	<u>3,515,937</u>

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

	2022 No.	2021 No.
Directors	7	6
Production	48	44
Administration	66	66
Distribution	13	13
	<u>134</u>	<u>129</u>

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	327,706	210,950
Company contributions to defined contribution pension schemes	17,964	14,760
	<u>345,670</u>	<u>225,710</u>

During the year retirement benefits were accruing to 7 directors (2021 - 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £80,769 (2021 - £104,175).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,721 (2021 - £10,000).

10. Interest payable and similar charges

	2022 £	2021 £
Bank loans and overdrafts	32,564	36,048
Other interest payable	1,183	420
	<u>33,747</u>	<u>36,468</u>

11. Taxation

	2022 £	2021 £
Corporation tax		
Current tax on profits for the year	357,612	192,240
Total current tax	<u>357,612</u>	<u>192,240</u>
Deferred tax		
Origination and reversal of timing differences	6,983	(5,229)
Total deferred tax	<u>6,983</u>	<u>(5,229)</u>
Taxation on profit on ordinary activities	<u>364,595</u>	<u>187,011</u>

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	1,931,608	924,602
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	367,006	175,674
Effects of:		
Expenses not deductible for tax purposes	2,430	11,337
Benefit of superdeduction	(6,513)	-
Tax rate changes	1,672	-
Total tax charge for the year	364,595	187,011

Factors that may affect future tax charges

In the March 2021 Budget, it was announced that the main UK corporation tax rate would remain at 19% for the financial years beginning 1 April 2021 and 1 April 2022, then increase to 25% from 1 April 2023. This rate increase was substantively enacted as part of the Finance Act 2021 on 24 May 2021. Therefore deferred tax at the balance sheet date has been calculated at 25% (2021: 19%), as this was the tax rate substantively enacted at the year end.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

12. Tangible fixed assets

	Plant and machinery £	Motor vehicles £	Computer equipment £	Total £
Cost				
At 1 November 2021	2,002,329	41,168	881,262	2,924,759
Additions	99,128	-	18,232	117,360
Disposals	(55,633)	-	(98,894)	(154,527)
At 31 October 2022	<u>2,045,824</u>	<u>41,168</u>	<u>800,600</u>	<u>2,887,592</u>
Depreciation				
At 1 November 2021	1,804,323	34,092	873,398	2,711,813
Charge for the year	92,622	4,469	9,474	106,565
Disposals	(55,633)	-	(98,894)	(154,527)
At 31 October 2022	<u>1,841,312</u>	<u>38,561</u>	<u>783,978</u>	<u>2,663,851</u>
Net book value				
At 31 October 2022	<u>204,512</u>	<u>2,607</u>	<u>16,622</u>	<u>223,741</u>
At 31 October 2021	<u>198,006</u>	<u>7,076</u>	<u>7,864</u>	<u>212,946</u>

13. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 November 2021 and 31 October 2022	<u>1</u>

The company holds 100% of the ordinary share capital of Canford Audio SARL, a company incorporated in France. The address of the registered office is 2 Rue De L Expansion, 67150 Erstein, France. The principal activity of the company is the sale and distribution of professional audio equipment across Europe.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

14. Stocks

	2022 £	2021 £
Raw materials and consumables	724,547	614,409
Work in progress	304,171	292,035
Finished goods and goods for resale	2,552,348	2,005,230
	<u>3,581,066</u>	<u>2,911,674</u>

Stocks are stated after provisions for impairment of £418,500 (2021: £336,314).

15. Debtors

	2022 £	2021 £
Trade debtors	1,748,509	1,239,135
Amounts owed by group undertakings	68,870	72,096
Other debtors	63,159	32,586
Prepayments and accrued income	214,360	134,498
	<u>2,094,898</u>	<u>1,478,315</u>

Trade debtors are stated after provisions for bad debt of £19,060 (2021: £12,060).

16. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank loans (note 18)	102,890	99,170
Receivables financing	99,973	11,363
Trade creditors	2,563,412	1,711,298
Amounts owed to group undertakings	35,229	70,050
Corporation tax	167,612	132,240
Other taxation and social security	155,459	70,492
Other creditors	698,496	483,547
Accruals and deferred income	609,252	346,845
	<u>4,432,323</u>	<u>2,925,005</u>

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

17. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Bank loans (note 18)	725,444	828,334

18. Loans

Analysis of the maturity of loans is given below:

	2022 £	2021 £
Amounts falling due within one year		
Bank loans	102,890	99,170
Receivables financing	99,973	11,363
Amounts falling due 2-5 years		
Bank loans	451,574	435,197
Amounts falling due after more than 5 years		
Bank loans	273,870	393,137
	928,307	938,867

The bank loan of £1,100,000 was taken out in December 2019 and is repayable in monthly instalments over 10 years, bearing fixed interest at 3.69% and is secured by unlimited debenture from Canford Audio Limited and omnibus guarantee and set off agreement among the bank, Canford Group Limited, Canford Audio Limited and Canford Manufacturing Limited.

The company has a receivables financing arrangement with Lloyds Bank repayable at a variable rate of interest.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

19. Deferred taxation

	2022 £	2021 £
At beginning of year	37,078	42,307
Charged/(credited) to profit or loss	6,983	(5,229)
At end of year	44,061	37,078

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	44,061	37,078

20. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
100,000 (2021 - 100,000) Ordinary shares of £1.00 each	100,000	100,000

There is a single class of ordinary shares. There are no restrictions on the distribution of dividends or the repayment of capital.

21. Reserves

Profit and loss account

The profit and loss account represents cumulative profits and losses net of dividends and other adjustments. EOT contributions during the year were £1,632,779 (2021: £nil).

22. Contingent liabilities

Canford Group Limited, Canford Audio Limited and Canford Manufacturing Limited have each entered into a cross guarantee agreement to secure the bank overdrafts of those companies. The total net surplus position of these companies as at 31 October 2022 amounted to £1,365,573 (2021: £1,519,557).

A bank loan with Lloyds bank is secured by unlimited debenture from Canford Audio Limited and omnibus guarantee and set off agreement among the Bank, Canford Group Limited, Canford Audio Limited and Canford Manufacturing Limited.

The company also has a guarantee for £30,000 (2021: £30,000) in favour of HM Revenue & Customs dated 4 September 2014.

Canford Audio Limited

Notes to the financial statements For the year ended 31 October 2022

23. 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 £145,559 (2021: £142,876). Contributions totalling £559 (2021: £311) were payable to the fund at the balance sheet date and are included in creditors.

24. Commitments under operating leases

At 31 October 2022 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	10,683	10,086
Later than 1 year and not later than 5 years	22,688	20,034
	<u>33,371</u>	<u>30,120</u>

25. Related party transactions

Mr M Brindley is the proprietor of Paragon, to which sales made by the company totalled £4,959 (2021: £429) and purchases made by the company totalled £77,978 (2021: £nil) during the course of the year for goods and services provided on normal commercial terms. At 31 October 2022, the amount owed by the company was £11,136 (2021: £2,070) and amounts owed to the company was £246 (2021: £nil).

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

26. Controlling party

The immediate and ultimate parent undertaking, and the only group to consolidate these financial statements is Canford Group Limited. The address of the registered office of Canford Group Limited is Crowther Road, Washington, Tyne & Wear, NE38 0BW. Copies of Canford Group Limited consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.

Canford Trustee Limited acts as the sole trustee for the Canford Employee Ownership Trust, of which the directors consider there to be no controlling party.