**Martin Manufacturing (UK) Limited** *(formerly Martin Manufacturing (UK) plc)*

# Directors' report, strategic report and financial statements

Registered number 01913440

30 June 2014

# Contents

## Directors' report

The directors present their report and the audited financial statements for the year ended 30 June 2014.

**Change of name**

On 3 October 2013 the company changed its name from Martin Manufacturing (UK) Plc to Martin Manufacturing (UK) Limited.

**Principal activities**

The principal activities of the company continued to be that of design, development, manufacture, distribution, service and support of equipment to the entertainment and security industry.

**Results and dividends**

The results for the period are set out in the attached statement of comprehensive income. During the period no dividends were proposed or paid *(2013: £nil)*.

**Directors**

The following directors have held office during the financial period and to the date of this report:

| | |
|---|---|
| M Iasenza | - appointed 1 October 2013 |
| J Stacey | - appointed 2 October 2013 |
| T Suko | - appointed 1 October 2013 |
| L Dige Knudsen | - resigned 2 October 2013 |
| V Thomsen | - resigned 2 October 2013 |
| S Winkler | - resigned 2 October 2013 |

**Disclosure of information to auditor**

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

**Political and charitable donations**

The company made no political or charitable donations during the period *(2013: £nil)*.

**Auditor**

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

By order of the board

**Todd Suko**
*Director*

27 February 2015

Martin House
Belvoir Way
Fairfield Industrial Estate
Louth
Lincolnshire
LN11 0LQ

# Strategic report

**Business review**

The principal activities of the company continued to be the design, manufacture and distribution of fog technology, machines and smoke fluids to the entertainment and security industries. Martin Manufacturing (UK) Limited's fog systems boast a range of machines and fluid types to create fog effects from heavy low fog to thin quick dispensing mist that allows lighting designers to create special effects in theatres, movies, TV studies etc.

Martin Manufacturing (UK) Limited's main customer is its immediate parent undertaking Martin Professional A/S who produce computer controlled lighting, also called "intelligent lighting", which is high technology luminaries utilised throughout all sectors of the entertainment industry. Martin's application, with our products in smoke machines gives the company the ability to offer a wider entertainment package.

The most important OEM customer is MSS Professional, which sells Smokecloak machines to the security industry. Trade with MSS is regulated by a Supply Agreement making Martin Manufacturing (UK) Limited sole supplier to MSS. The supply agreement has been renewed for a 5 year period, starting 1 January 2011. Smokecloak is a device that fills a building with a dense artificial smoke or vapour – security fog, so thick that the criminal is incapable of continuing his villainous task and has little choice but to leave the premises empty-handed.

**Description of principal risks and uncertainties**

Together with business improvements, we continued to strengthen the competencies within research and development to secure us as market leaders in our field. A combination of controlled growth of complex products to be manufactured in our UK company and, at the same time, developing OEM security products means that we will continue to be a strong presence in the Harman group, with limited visible threat from known competition.

The company attaches great importance to an open dialogue with all staff involved, from moving high labour cost production to low cost countries, or start low cost country sourcing projects, that can give us the necessary effect from globalisation in our market.

A number of key risks and uncertainties are set out in note 20 of these financial statements.

**Position of the company at the year end**

The company exceeded budget for financial year 2014 and achieved a company record turnover of £4.7 million (106% of budget) *(6 months for 2013: 2.3 million)*, whilst retaining the highest ever profit before tax of £0.6 million (103% of budget) *(6 months for 2013: 0.1 million)*.

Turnover was achieved due to high performance across all customers, Martin Professional A/S performed to 101% of budget, MSS Professional A/S achieved 109% of budget, whilst our other OEM achieved 179% of budget.

Martin Professional A/S generated a more stable and sustained demand pattern which aided production efficiency, with a positive increase in sales from Harman USA and new market penetration was witnessed in Harman Brazil.

Growth of the technical Service and Support function within the company continued, with repairs, service contracts, technical training provisions and commissioning contributing £0.25 million to overall turnover. The performance of this function is now locally managed by R. Pocklington and has enabled further growth opportunities which will be explored and exploited further in FY15.

Improvement in sales to MSS Professional was largely due to continued new market penetration (Brazil, China, and Mexico), large project sales for new customers and the continued positive intercompany communication which enables improved flexibility and agility in meeting the customer demands.

Martin Manufacturing (UK) Ltd's other OEM sales were secured and sustained by the development of a new range of product offerings. After two years of conceptual design and development the products entered production late in the financial year and has been widely acclaimed by the market. These new products have been designed to sustain the OEM partnership for a further 10 years and all development costs were paid by the customer.

# Strategic report *(continued)*

**Position of the company at the year end** *(continued)*

To secure the continued positive business development achieved over the last two years, a local strategy has been formulated by the local Management team and deployment began in June 2014. The aim of the strategy is to grow the business to £6.6 million turnover, increasing earning before interest and tax to a consistent 12% and to do so with minimum investment from the parent company.

In an attempt to remain competitive in the face of increasing internal competition posed by the integration in the Harman group, the strategy consists of five main strategic drivers.

- Operational Excellence: Maintain a positive work environment through training and development of employees, reward and recognition practices and performance management. To create and foster a culture of Continuous Improvement and world class performance.
- Simple and agile supply chain: Improve delivery performance through advanced demand planning, customer intimacy, supplier management and close cooperation with Martin Pro Global Operations.
- Get it right first time: Secure quality improvements in new product development, improved market feedback and a process oriented approach to problem solving.
- Customer Value: Provide industry leading after care sales and support. Utilise market intelligence to strengthen brand position and proactively support the sales process.
- Cutting Edge: Increase new product development through the expansion of R&D resources. Invest in research to focus on innovation and patents for the next generation of smoke products.

Deployment of the said strategy is to be measured in a Strategic KPI dashboard system which will inform and drive the management and leadership of the business unit, with an aim to build on FY14 strong financial results.

**Key performance indicators**

The company uses a number of financial measures to monitor progress against strategies and corporate objectives. These are summarised below:

| | **Year to 30 June 2014** | 6 months to 30 June 2013 |
|---|---|---|
| | **£** | £ |
| Turnover | **4,684,376** | 2,288,222 |
| Gross profit | **1,270,374** | 488,147 |
| *Gross profit %* | **27%** | 21% |
| Operating profit | **652,956** | 175,463 |

Turnover, on an annualised basis, increased by 3.6% due to the development of the aforementioned OEM customer's product range and continued organic growth in new markets such as Brazil, China and Russia.

The improvement in gross profit percentage was due to tight cost control; supplier negotiations, higher contributions from newly developed products and the adoption of lean manufacturing practices which have reduced wastage and aided efficiency.

During the year performance has been satisfactory and as far as the directors are aware, this is likely to be the case in the forthcoming year.

## Strategic report *(continued)*

**Disabled employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged.

***Employee consultation***

The group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees. This is achieved through formal and informal meetings where necessary.

By order of the board

**Todd Suko**
*Director*

27 February 2015

Martin House
Belvoir Way
Fairfield Industrial Estate
Louth
Lincolnshire
LN11 0LQ

## Statement of directors' responsibilities in respect of the directors' report, the strategic report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs) and applicable law.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

KPMG

# Report of the independent auditor to the members of Martin Manufacturing (UK) Limited (formerly Martin Manufacturing (UK) plc)

We have audited the financial statements of Martin Manufacturing (UK) Limited (formerly Martin Manufacturing (UK) plc) for the year ended 30 June 2014 set out on pages 7 to 24. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

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

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the EU; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matters prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- 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.

**Craig Parkin** *(Senior Statutory Auditor)*

*for and on behalf of KPMG LLP, Statutory Auditor*
*Chartered Accountants*
St Nicholas House
Park Row
Nottingham
NG1 6FQ

27 February 2015

# Statement of comprehensive income
***for the year ended 30 June 2014***

| | *Note* | **Year to 30 June 2014 £** | 6 months to 30 June 2013 £ |
|---|---|---|---|
| **Revenue** | | **4,684,376** | 2,288,222 |
| Cost of sales | | **(3,414,002)** | (1,800,075) |
| **Gross profit** | | **1,270,374** | 488,147 |
| Administrative expenses | | **(617,418)** | (312,684) |
| **Operating profit** | *2* | **652,956** | 175,463 |
| Financial income | *3* | **446** | 184 |
| Financial expenses | *4* | **(19,773)** | (26,902) |
| **Profit before tax** | | **633,629** | 148,745 |
| Taxation | *5* | **(153,652)** | (41,573) |
| **Profit and total comprehensive income for the period** | *14* | **479,977** | 107,172 |

In both the current year and preceding period, the company made no material acquisitions and had no discontinued operations.

## Statement of financial position
***as at 30 June 2014***

| | *Note* | 2014 | | 2013 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Non-current assets** | | | | | |
| Intangible assets | *6* | | **4,766** | | 34,185 |
| Property, plant and equipment | *7* | | **6,613** | | 25,779 |
| Deferred tax assets | *11* | | **12,605** | | 133,298 |
| | | | **23,984** | | 193,262 |
| **Current assets** | | | | | |
| Inventories | *8* | **693,400** | | 620,326 | |
| Trade and other receivables | *9* | **1,183,911** | | 987,813 | |
| Cash and cash equivalents | | **17,603** | | 206 | |
| | | | **1,894,914** | | 1,608,345 |
| **Total assets** | | | **1,918,898** | | 1,801,607 |
| **Current liabilities** | | | | | |
| Bank loans and overdrafts | | **-** | | (128,178) | |
| Trade and other payables | *10* | **(634,923)** | | (869,431) | |
| **Total liabilities** | | | **(634,923)** | | (997,609) |
| **Net assets** | | | **1,283,975** | | 803,998 |
| **Equity** | | | | | |
| Share capital | *13* | | **566,500** | | 566,500 |
| Retained earnings | *14* | | **717,475** | | 237,498 |
| **Total equity** | | | **1,283,975** | | 803,998 |

These financial statements were approved by the board of directors on 27 February 2015 and were signed on their behalf by:

**Todd Suko**
*Director*

Company registered number : 01913440

# Statement of changes in equity

| | Share capital | Retained earnings | Total equity |
|---|---|---|---|
| | £ | £ | £ |
| Balance at 1 January 2013 | 566,500 | 130,326 | 696,826 |
| **Total comprehensive income for the period** | | | |
| Profit for the year | - | 107,172 | 107,172 |
| Total comprehensive income for the period | - | 107,172 | 107,172 |
| Balance at 30 June 2013 | 566,500 | 237,498 | 803,998 |
| Balance at 1 July 2013 | 566,500 | 237,498 | 803,998 |
| **Total comprehensive income for the year** | | | |
| Profit for the year | - | 479,977 | 479,977 |
| Total comprehensive income for the year | - | 479,977 | 479,977 |
| **Balance at 30 June 2014** | **566,500** | **717,475** | **1,283,975** |

# Cash flow statement
***for the year ended 30 June 2014***

| | Year to 30 June 2014 £ | 6 months to 30 June 2013 £ |
|---|---|---|
| **Cash flow from operating activities** | | |
| Profit for the period | **479,977** | 107,172 |
| *Adjustments for:* | | |
| Finance costs recognised in profit and loss | **19,773** | 26,902 |
| Finance income recognised in profit and loss | **(446)** | (184) |
| Depreciation and amortisation of non-current assets | **48,585** | 48,221 |
| Taxation | **153,652** | 41,573 |
| | **701,541** | 223,684 |
| (Increase))/decrease in trade and other receivables | **(196,098)** | 130,062 |
| (Inrease)/decrease in inventories | **(73,074)** | 152,045 |
| Decrease in trade and other payables | **(267,467)** | (427,147) |
| | **164,902** | 78,644 |
| Interest paid | **(19,773)** | (26,902) |
| **Net cash from operating activities** | **145,129** | 51,742 |
| **Cash flows from investing activities** | | |
| Interest received | **446** | 184 |
| Acquisition of property, plant and equipment | **-** | (3,317) |
| **Net cash from investing activities** | **446** | (3,133) |
| Net increase in cash and cash equivalents | **145,575** | 48,609 |
| Cash and cash equivalents at the beginning of the year | **(127,972)** | (176,581) |
| **Cash and cash equivalents at the end of the year** | **17,603** | (127,972) |

# Notes
*(forming part of the financial statements)*

## 1 Accounting policies

***Basis of accounting***

Martin Manufacturing (UK) Limited (formerly Martin Manufacturing (UK) plc) (the 'Company') is a company incorporated in the UK.

The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs").

The financial statements have been prepared on the historical cost basis. The principal accounting policies adopted are set out below.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If in the future such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. A description of the principal estimates and assumptions adopted in preparing these financial statements is given in note 21.

Amendments to a number of standards under IFRS, which are mandatory for the period ending 30 June 2014, have been adopted in the year. None of these amendments has had a material impact on the financial statements.

***Going concern***

The directors have prepared profit and cash flow forecasts for a period in excess of 12 months from the date of these financial statements which show continued profits and cash generation.

On this basis, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern assumption in preparing the financial statements.

***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 not recognised until the significant risks and rewards of ownership of goods have passed to the buyer and the amount of revenue can be measured reliably.

***Research and development***

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it meets the conditions as specified in IAS 38.

Internally-generated intangible assets are amortised on a straight line basis over their useful lives. Development expenditure that cannot be distinguished from the research phase is recognised as an expense in the period in which it is incurred.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Impairment of development costs***

At the end of each reporting period, the company reviews the carrying amounts of development costs to determine whether there is any indication that those products have suffered an impairment loss. If any such indication exists, the recoverable amount of the products are estimated to determine the extent of the impairment loss.

Products which are still under development and have not been brought into production are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

If the recoverable amount of a product is estimated to be less that its carrying amount, the carrying amount of the product is reduced to its recoverable amount. An impairment loss is recognised immediately in the result generated for the year, unless the relevant product is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

***Property, plant and equipment and depreciation***

Property, plant and equipment are initially recorded at cost of purchase and are depreciated on a straight line basis except for land which is not depreciated. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

| | |
|---|---|
| Leasehold improvements, plant and machinery | 10-20% straight line basis |

***Leasing***

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

***Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand and current balances with banks and other similar institutions, which are readily convertible to known amounts of cash which are subject to insignificant risk of changes in value.

***Inventories and work in progress***

Inventories and work in progress are valued at the lower of cost and net realisable value. Net realisable value is the amount that can be realised from the sale of the inventory in the normal course of business after allowing for costs of realisation.

***Pensions***

The company operates a defined contribution pension scheme for senior members of staff. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charged in the financial statements represent the contributions payable by the company during the year.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Taxes***

Income taxes include all taxes based upon the taxable profits of the company. Other taxes not based on income, such as property and capital taxes, are included within operating expenses or financial expenses according to their nature.

Deferred income tax is provided using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the financial statements. Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

***Foreign currency translation***

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the statement of comprehensive income.

***Adopted IFRS not yet applied***

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014 and have not been applied in preparing these financial statements. None of these are expected to have significant effect on the financial statements.

## 2 Operating profit

| | | **Year to 30 Jun 14** | 6 months to 30 Jun 13 |
|---|---|---|---|
| | | **£** | £ |
| *Operating profit is stated after charging:* | | | |
| Amortisation of internally generated intangible assets | | **29,419** | 31,877 |
| Depreciation of property, plant and equipment | | **19,166** | 16,344 |
| Research and development | | **65,214** | 35,470 |
| Operating lease rentals | - Plant, machinery, etc | **8,768** | 4,612 |
| | - Other assets | **46,000** | 23,000 |
| *Auditor's remuneration* | | | |
| Audit of these financial statements | | **10,000** | 9,000 |
| Other services relating to taxation | | **2,500** | - |

## 3 Financial income

| | **Year to 30 Jun 14** | 6 months to 30 Jun 13 |
|---|---|---|
| | **£** | £ |
| Bank interest | **446** | 184 |

# Notes *(continued)*

## 4 Financial expenses

| | Year to 30 Jun 14 £ | 6 months to 30 Jun 13 £ |
|---|---|---|
| On bank loans and overdrafts | **4,548** | 3,144 |
| On other loans | **9,932** | 11,151 |
| Net exchange losses | **5,293** | 12,607 |
| | **19,773** | 26,902 |

## 5 Taxation

***Recognised in the income statement***

| | Year to 30 Jun 14 £ | 6 months to 30 Jun 13 £ |
|---|---|---|
| *Current tax expense:* | | |
| Current period | **32,959** | - |
| Current tax expense | **32,959** | - |
| *Deferred tax:* | | |
| Deferred tax charge (note 11) | **120,693** | 41,573 |
| Total tax | **153,652** | 41,573 |

***Reconciliation of effective tax rate***

| | Year to 30 Jun 14 £ | 6 months to 30 Jun 13 £ |
|---|---|---|
| Profit on ordinary activities before taxation | **633,629** | 148,745 |
| Tax using the UK corporation tax rate of 22.5% *(2013: 23.5%)* | **142,567** | 34,955 |
| *Effects of:* | | |
| Depreciation in excess of capital allowances | **865** | 1,088 |
| Other fixed asset timing differences | **6,619** | 7,491 |
| Utilisation of tax losses | **(117,092)** | (43,534) |
| Origination and reversal of timing differences | **120,693** | 41,573 |
| Total tax expense | **153,652** | 41,573 |

The company has estimated losses of £nil *(2013: £520,410)* available for carry forward against future trading profits.

***Factors that may affect future tax charges***

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 3 July 2013. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 30 June 2014 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

# Notes *(continued)*

## 6 Intangible fixed assets

| | Development costs £ |
|---|---|
| *Cost:* | |
| At 1 January 2013, 1 July 2013 and 30 June 2014 | 589,183 |
| *Accumulated amortisation:* | |
| At 1 January 2013 | 523,121 |
| Charge for the period | 31,877 |
| At 30 June 2013 | 554,998 |
| At 1 July 2013 | 554,998 |
| Charge for the year | 29,419 |
| At 30 June 2014 | 584,417 |
| *Net book value:* | |
| At 1 January 2013 | 66,062 |
| At 30 June 2013 and 1 July 2013 | 34,185 |
| **At 30 June 2014** | **4,766** |

Amortisation has been included only on development costs on those products that have now come into actual production. Amortisation is based on the machines, once developed, having a five year useful life, and is taken on a straight line basis.

# Notes *(continued)*

## 7 Property, plant and equipment

| | **Leasehold improvements, plant and machinery** **£** |
|---|---|
| *Cost:* | |
| At 1 January 2013 | 1,052,429 |
| Additions | 3,317 |
| At 30 June 2013 | 1,055,746 |
| At 1 July 2013 and 30 June 2014 | 1,055,746 |
| *Accumulated depreciation:* | |
| At 1 January 2013 | 1,013,623 |
| Charge for the period | 16,344 |
| At 30 June 2013 | 1,029,967 |
| At 1 July 2013 | 1,029,967 |
| Charge for the year | 19,166 |
| At 30 June 2014 | 1,049,133 |
| *Net book value:* | |
| At 1 January 2013 | 38,806 |
| At 30 June 2013 and 1 July 2013 | 25,779 |
| **At 30 June 2014** | **6,613** |

## 8 Inventories

| | **2014** **£** | 2013 £ |
|---|---|---|
| Raw materials and consumables | **597,075** | 558,006 |
| Work in progress | **29,378** | 16,234 |
| Finished goods and goods for resale | **66,947** | 46,086 |
| | **693,400** | 620,326 |
| Amount recognised as cost of sales in the period for raw materials, consumables and changes in finished goods and work in progress | **3,054,716** | 1,513,809 |

# Notes *(continued)*

## 9 Trade and other receivables

| | 2014 £ | 2013 £ |
|---|---|---|
| Trade receivables | **464,202** | 431,570 |
| Amounts owed by parent and fellow subsidiary undertakings | **634,483** | 479,140 |
| Other receivables | **49,929** | 35,359 |
| Prepayments and accrued income | **35,297** | 41,744 |
| | **1,183,911** | 987,813 |

## 10 Trade and other payables

| | 2014 £ | 2013 £ |
|---|---|---|
| Trade payables | **541,332** | 319,183 |
| Amounts owed to parent and fellow subsidiary undertakings | **19,280** | 508,901 |
| Corporation tax payable | **32,959** | - |
| Taxes and social security | **15,442** | 12,546 |
| Accruals | **25,910** | 28,801 |
| | **634,923** | 869,431 |

## 11 Deferred tax asset

*Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | 2014 £ | 2013 £ | 2014 £ | 2013 £ |
| Property, plant and equipment | **12,605** | 13,604 | - | - |
| Tax losses | - | 119,694 | - | - |
| Net tax assets | **12,605** | 133,298 | - | - |

*Movement in deferred tax during the year*

| | 1 July 2013 £ | Recognised in income £ | Recognised in equity £ | 30 June 2014 £ |
|---|---|---|---|---|
| Property, plant and equipment | 13,604 | (999) | - | 12,605 |
| Tax losses | 119,694 | (119,694) | - | - |
| | 133,298 | (120,693) | - | 12,605 |

# Notes *(continued)*

## 11 Deferred tax asset *(continued)*

*Movement in deferred tax during the prior period*

| | 1 January 2013 £ | Recognised in income £ | Recognised in equity £ | 30 June 2013 £ |
|---|---|---|---|---|
| Property, plant and equipment | 12,569 | 1,035 | - | 13,604 |
| Tax losses | 162,302 | (42,608) | - | 119,694 |
| | 174,871 | (41,573) | - | 133,298 |

## 12 Pension and other post-retirement commitments

***Defined contribution***

| | **2014 £** | 2013 £ |
|---|---|---|
| Contributions payable by the company for the period | **4,611** | 2,373 |

## 13 Share capital

| | **2014 £** | 2013 £ |
|---|---|---|
| *Allotted, called up and fully paid:* | | |
| 566,500 ordinary shares of £1 each | **566,500** | 566,500 |

## 14 Retained earnings

| | £ |
|---|---|
| Opening balance | 237,498 |
| Profit for the year | 479,977 |
| **Balance at 30 June 2014** | **717,475** |

## 15 Financial commitments

At 30 June 2014, the company was committed to making the following payments under non-cancellable operating leases

| | **Land and buildings** | | **Other** | |
|---|---|---|---|---|
| | **2014 £** | 2013 £ | **2014 £** | 2013 £ |
| Within one year | **46,000** | - | **5,929** | 9,222 |
| Between two and five years | **23,000** | - | **6,296** | 12,295 |
| | **69,000** | - | **12,225** | 21,517 |

During the year £54,768 *(2013: £27,612)* was recognised as an expense in the statement of comprehensive income in respect of operating leases.

## 16 Staff costs

| | Year to 30 Jun 14 | 6 months to 30 Jun 13 |
|---|---|---|
| *The average number of employees (including directors) during the year was:* | | |
| Production | 34 | 35 |
| Sales and administration | 9 | 10 |
| | **43** | 45 |

| | Year to 30 Jun 14 £ | 6 months to 30 Jun 13 £ |
|---|---|---|
| *Employment costs:* | | |
| Wages and salaries | **551,341** | 293,638 |
| Social security costs | **54,797** | 27,918 |
| Other pension costs | **4,611** | 2,373 |
| | **610,749** | 323,929 |

## 17 Directors' remuneration

The directors did not receive any remuneration for their services to the company in either the current or preceding year. All remuneration costs are borne by fellow group companies.

## 18 Control

As at 30 June 2014 the directors regard Martin Professional A/S, a company incorporated and resident in Denmark, as the immediate parent company. The directors regard Harman International Industries Inc., a company incorporated and resident in the USA, as both the ultimate parent and controlling company. Copies of the parent company's consolidated group financial statements are available from the Administration, Harman International Industries Inc., 400 Atlantic Street, Stamford, Connecticut, 06901 and may be inspected at the company's registered office.

## 19 Related party transactions

The company is a wholly owned subsidiary of Harman International Industries Inc., a company incorporated and resident in the USA, and its financial statements are included in the consolidated financial statements of Harman International Industries Inc., which are publicly available. During the period the company had transactions and incurred balances as follows:

Group owings account due from *(2013: to)* Martin Professional A/S at the year end £595,657 *(2013: £69,193)*.

| **30 June 2014** | **Sales to £** | **Purchased from £** | **Balance due from £** | **Balance due to £** |
|---|---|---|---|---|
| Martin Professional A/S | **3,134,328** | **80,183** | **614,079** | **18,422** |
| Martin Professional Limited | **27,631** | **16,096** | **20,280** | **857** |
| Martin Manufacturing France | **7,908** | - | **184** | - |
| Martin Professional Germany | **1,828** | - | - | - |
| Martin Professional Pte Ltd | **1,519** | - | - | - |
| Martin Professional US | **5,217** | - | - | - |
| Martin Professional Scandinavia | **626** | - | - | - |

# Notes *(continued)*

## 19 Related party transactions *(continued)*

| 30 June 2013 | Sales to<br>£ | Purchased from<br>£ | Balance due from<br>£ | Balance due to<br>£ |
|---|---|---|---|---|
| Martin Professional A/S | 1,577,051 | 45,478 | 437,108 | 506,301 |
| Martin Professional Limited | 18,319 | 7,141 | 40,562 | 2,800 |
| Martin Manufacturing Zhuhai Limited | 1,497 | - | 1,470 | - |

Sales and purchases of goods to related parties were made at the company's usual prices.

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No provisions have been made for doubtful debts in respect of amounts owed by related parties.

Interest paid to the group in respect of loans amounts to £9,932 *(2013: £11,151)*.

## 20 Financial instruments

***i) Fair values of financial instruments***

The fair values of financial instruments are determined using the following bases:

*Trade and other receivables*

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

*Trade and other payables*

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

*Cash and cash equivalents*

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.

*Interest-bearing borrowings*

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the statement of financial position date.

*Derivative financial instruments*

The fair value of derivative financial instruments is determined by their market value at the reporting date.

*IAS 39 categories of financial instruments*

The fair values of financial assets and financial liabilities are not materially different to the carrying values shown in the statement of financial position.

# Notes *(continued)*

## 20 Financial instruments *(continued)*

The following table shows the carrying value for each category of financial instrument:

| | **2014** | 2013 |
|---|---|---|
| | **£** | £ |
| Cash and cash equivalents | **17,603** | 206 |
| Trade receivables (note 9) | **464,202** | 431,570 |
| Amounts owed by parent and fellow subsidiary undertakings (note 9) | **634,483** | 479,140 |
| Other receivables (note 9) | **49,929** | 35,359 |
| Total financial assets | **1,166,217** | 946,275 |
| Bank overdraft | **-** | (128,178) |
| Trade and other payables (note 10) | **(589,733)** | (331,729) |
| Amounts owed to parent and fellow subsidiary undertakings (note 10) | **(19,280)** | (508,901) |
| Total financial liabilities | **(609,013)** | (968,808) |
| Total financial assets/(liabilities) | **557,204** | (22,533) |

*Fair value hierarchy*

As no financial instruments are measured at fair value, no fair value hierarchy information is relevant.

### *ii) Credit risk*

*Financial risk management*

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

*Exposure to credit risk*

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk at the statement of financial position date was £1,166,217 *(2013: £946,275)*. This risk is predominately concentrated in the parent company and the company's major external customer MSS.

The account with MSS is closely managed and the relationship is such that the Company would be able to identify any undue increase in credit risk in a timely manner in order to take corrective action. The amounts in the statement of financial position are net of allowances for doubtful receivables. Management has credit policies in place to manage risk on an ongoing basis. These include the use of customer specific credit limits.

The credit risk on liquid funds is limited because counterparties are banks with high credit ratings assigned by international credit rating agencies.

# Notes *(continued)*

## 20 Financial instruments *(continued)*

*Credit quality of trade receivables and impairment losses*

The ageing of trade receivables at the statement of financial position date was:

| | **2014 Gross £** | **2014 Impairment £** | **2014 Net** | 2013 Gross £ | 2013 Impairment £ | 2013 Net £ |
|---|---|---|---|---|---|---|
| Not past due | **433,077** | **-** | **433,077** | 402,639 | - | 402,639 |
| Past due 1 – 30 days | **27,674** | **-** | **27,674** | 28,931 | - | 28,931 |
| Past due 31 – 60 days | **3,451** | **-** | **3,451** | - | - | - |
| | **464,202** | **-** | **464,202** | 431,570 | - | 431,570 |

The policy for impairing against trade receivables is to perform regular reviews on customer debts whilst maintaining good customer relations, minimising the risk of any impairment.

The movement in the allowances for impairment in respect of trade receivables during the period was:

| | **2014 £** | 2013 £ |
|---|---|---|
| Opening balance | **-** | - |
| Impairment loss recognised | **-** | - |
| Impairment loss reversed | **-** | - |
| **Closing balance** | **-** | - |

The allowance account for trade receivables is used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

No further analysis has been provided for cash and cash equivalents, trade receivables from Group companies, other receivables and other financial assets as there is limited exposure to credit risk and no provisions for impairment have been recognised.

# Notes *(continued)*

## 20 Financial instruments *(continued)*

### *iii) Liquidity risk*

*Financial risk management*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the effects of netting agreements:

| **30 June 2014** | **Carrying amount £** | **Contractual cash flows £** | **Less than 1 year £** | **1 to 2 years £** | **2 to 5 years £** | **More than 5 years £** |
|---|---|---|---|---|---|---|
| Bank overdraft | **-** | **-** | **-** | **-** | **-** | **-** |
| Trade and other payables | **589,733** | **589,733** | **589,733** | **-** | **-** | **-** |
| Amounts owed to parent and fellow subsidiary undertakings | **19,280** | **19,280** | **19,280** | **-** | **-** | **-** |

| 30 June 2013 | Carrying amount £ | Contractual cash flows £ | Less than 1 year £ | 1 to 2 years £ | 2 to 5 years £ | More than 5 years £ |
|---|---|---|---|---|---|---|
| Bank overdraft | 128,178 | 128,178 | 128,178 | - | - | - |
| Trade and other payables | 331,729 | 331,729 | 331,729 | - | - | - |
| Amounts owed to parent and fellow subsidiary undertakings | 508,901 | 508,901 | 508,901 | - | - | - |

### *iv) Market risk*

*Financial risk management*

Market risk is the risk that changes in market prices, such as foreign exchange, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

*Foreign currency risk*

The Company has no exposure to foreign currency risk arising from trade receivables and payables which are denominated in foreign currencies.

*Interest rate risk*

The Company does not have significant exposure to interest rate risk as the business is financed by support from Group.

### *v) Capital management*

The Company's objectives when managing capital are:

i) to safeguard the entity's ability to continue as a going concern, enabling it to continue to provide returns for shareholders and benefits to other stakeholders

ii) to provide an adequate return to shareholders by (a) pricing products and services commensurate with the level of risk and (b) ensuring the returns on new investment programmes will maintain or increase shareholder returns

# Notes *(continued)*

## 21 Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The Group stock provisioning policy is based on stock usage, such that provision is made against excess levels of raw material stocks.