

Martin Professional Limited

**Directors' report and financial
statements**

**Registered number 02584290
31 December 2012**

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2012

Principal activities - The principal activity of the company continued to be that of the distribution of lighting and smoke equipment, including fixtures with the latest technologies, such as LED light sources

Business review - The key markets of Martin Professional Limited include supplying lighting and video products and services to rock concerts, television, theatres, night clubs, bars, hotels, cruise ships and architectural structures and buildings

After a disappointing 2012 where the Olympics failed to deliver the potential for our products in comparison with previous Games – all the 'off camera' activities from corporate sponsorship to cultural events were scaled back or cancelled under the banner of austerity. Sales suffered as a result and the year ended on £6.8 million (2011: £6.2 million), representing 79% of the budgeted sales. Sales in the first half of the year were depressed but recovered in the second half of the year as the industry returned to normal post-Olympics. With a continuing downward pressure on prices and margins the profit before taxation generated was £29,000 (2011: £660,000).

Future Development - The outlook for 2013 is cautiously optimistic in the current economic conditions which are negatively affecting confidence in our main markets. However, with the introduction of the new Viper range of entertainment lighting, we are making a strong impact in the entertainment market with these products and expect 2013 sales to deliver a good result against budget.

Results and dividends

The results for the year are set out in the attached profit and loss account. During the year no dividends were proposed or paid (2011: £nil).

Post balance sheet event

On 28 February 2013 the Martin Professional A/S group that the Company forms part of was purchased by HARMAN International Industries, Incorporated, a company registered in the USA. The directors do not anticipate that this will have a significant impact on the operations of the Company or these financial statements.

Directors

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

C Engsted	- resigned 28 February 2013
JS Holtze Kjaer	- appointed 1 March 2013
L Dige Knudsen	
V Thomsen	

Directors' report *(continued)*

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 year (2011 £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



V Thomsen
Director

14 June 2013

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

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

The directors are responsible for preparing 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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 applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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.



Report of the independent auditor to the members of Martin Professional Limited

We have audited the financial statements of Martin Professional Limited for the year ended 31 December 2012 set out on pages 5 to 14. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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 3, 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 (APB'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 website 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 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report 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

14 June 2013

Profit and loss account
for the year ended 31 December 2012

	<i>Note</i>	2012 £	2011 £
Turnover	2	6,779,362	6,153,908
Cost of sales		(5,227,063)	(3,861,121)
Gross profit		1,552,299	2,292,787
Distribution costs		(175,938)	(280,267)
Administrative expenses		(1,369,117)	(1,384,104)
Other operating income		-	20,000
Operating profit	3	7,244	648,416
Interest receivable and similar income	4	29,613	19,147
Interest payable and similar charges	5	(7,381)	(7,432)
Profit on ordinary activities before taxation		29,476	660,131
Tax on profit on ordinary activities	6	(21,131)	(203,823)
Profit on ordinary activities after taxation	14	8,345	456,308

There were no recognised gains or losses in either the current or preceding year other than those disclosed in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented


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

There is no material difference between the result reported in the profit and loss account and the result on an unmodified historical cost basis

Balance sheet
as at 31 December 2012

	Note	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	7		-		-
Current assets					
Stocks	8	118,312		259,228	
Debtors	9	5,192,799		4,265,094	
Cash at bank and in hand		261		2,304	
		<u>5,311,372</u>		<u>4,526,626</u>	
Creditors: amounts falling due within one year	10	(2,091,546)		(1,315,145)	
		<u></u>		<u></u>	
Net current assets			3,219,826		3,211,481
			<u></u>		<u></u>
Total assets less current liabilities and net assets			3,219,826		3,211,481
			<u></u>		<u></u>
Capital and reserves					
Called up share capital	13		3,000,000		3,000,000
Share premium account	14		1,750,000		1,750,000
Profit and loss account	14		(1,530,174)		(1,538,519)
			<u></u>		<u></u>
Shareholders' funds	15		3,219,826		3,211,481
			<u></u>		<u></u>

These financial statements were approved by the board of directors on 14 June 2013 and were signed on their behalf by


V Thomsen
Director

Company registered number 02584290

Notes

(forming part of the financial statements)

1 Accounting policies

Accounting convention

The financial statements have been prepared under the historical cost convention

Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), which have been applied consistently, except as noted below

The company has taken advantage of the exemption in FRS 1 (revised) from the requirement to produce a cash flow statement on the grounds that it is a subsidiary undertaking where 90 per cent of more of the voting rights are controlled within the group

The company has taken advantage of the exemption in FRS 8 'Related party disclosures' from the requirement to disclose transactions with wholly owned group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company and these are publicly available

Going concern

The company's business activities, together with the factors likely to affect its future development, performance and position are set out in the business review section of the Directors' report

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

Turnover

Turnover represents amounts receivable for goods and services, net of value added tax and trade discounts, and is recognised when the goods and services have been supplied. When acting as a sales agent for the parent company, commission is recognised when the underlying goods and services have been supplied

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. 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

Fixtures, fittings and equipment	20% to 33% on cost
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Leasing

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease

Operating lease income is recognised in the profit and loss account on straight line basis over the period of the lease

Notes (continued)

1 Accounting policies (continued)

Stock

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials a standard purchase price is used which is updated on an annual basis. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Turnover

Turnover consists of sales made to the following geographical markets. It also consists of sales in relation to the provision of goods and services alongside sales commission received.

	2012 £	2011 £
United Kingdom	6,768,772	6,119,674
Rest of Europe	10,590	34,234
	<hr/> 6,779,362 <hr/>	<hr/> 6,153,908 <hr/>
	2012 £	2011 £
Provision of goods and services	6,779,362	5,597,636
Commission received	-	556,272
	<hr/> 6,779,362 <hr/>	<hr/> 6,153,908 <hr/>

Notes (continued)

3 Operating profit

	2012 £	2011 £
<i>Operating profit is stated after charging/(crediting)</i>		
Operating lease rentals - Plant and machinery	-	7,405
- Other assets	70,053	73,732
Operating lease rental income - Plant and machinery	-	(20,000)
<i>Auditor's remuneration</i>		
Audit of these financial statements	8,550	8,550
Other services relating to taxation	2,175	5,550
	<u> </u>	<u> </u>

4 Interest receivable and similar income

	2012 £	2011 £
Interest received on amounts due from group companies	29,613	19,147
	<u> </u>	<u> </u>

5 Interest payable and similar charges

	2012 £	2011 £
On bank loans and overdrafts	7,381	7,432
	<u> </u>	<u> </u>

6 Taxation

	2012 £	2011 £
<i>Domestic current year tax</i>		
UK corporation tax	16,831	84,011
	<u> </u>	<u> </u>
<i>Deferred tax (note 11)</i>		
Origination and reversal of timing differences	4,300	118,408
Adjustment in respect of prior years	-	1,404
	<u> </u>	<u> </u>
Total deferred tax	4,300	119,812
	<u> </u>	<u> </u>
Total tax charge	21,131	203,823
	<u> </u>	<u> </u>

Notes (continued)

6 Taxation (continued)

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2011 lower) than the standard rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	2012 £	2011 £
Profit on ordinary activities before taxation	29,476	660,131
Tax using the UK corporation tax rate of 24.5% (2011 26.5%)	7,222	174,935
<i>Effects of</i>		
Non deductible expenses	12,725	23,913
Capital allowances in excess of depreciation	(3,300)	(4,554)
Tax losses utilised	-	(109,366)
Other tax adjustments	184	(917)
Current tax charge	16,831	84,011

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. This will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly.

7 Tangible fixed assets

	Fixtures, fittings and equipment £
<i>Cost</i>	
At 1 January 2012 and 31 December 2012	142,235
<i>Accumulated depreciation</i>	
At 1 January 2012 and 31 December 2012	142,235
<i>Net book value</i>	
At 31 December 2012	-
At 31 December 2011	-

The cost of assets held for leasing under operating leases included within fixtures, fittings and equipment above at 31 December 2012 amounted to £142,235 (2011 £142,235). The accumulated depreciation relating to those assets as at 31 December 2012 amounted to £142,235 (2011 £142,235).

Notes (continued)

8 Stocks

	2012 £	2011 £
Finished goods and goods for resale	118,312	259,228

9 Debtors

	2012 £	2011 £
Trade debtors	1,253,286	1,300,751
Amounts owed by parent and fellow subsidiary undertakings	3,896,875	2,907,980
Prepayments and accrued income	22,932	39,175
Deferred tax asset (note 11)	12,888	17,188
Deposits	6,818	-
	<u>5,192,799</u>	<u>4,265,094</u>

10 Creditors: amounts falling due within one year

	2012 £	2011 £
Bank loans and overdrafts	257,195	177,391
Trade creditors	29,853	26,706
Amounts owed to parent and fellow subsidiary undertakings	1,260,244	629,409
Corporation tax	16,831	84,011
Taxes and social security	432,165	290,190
Accruals and deferred income	95,258	107,438
	<u>2,091,546</u>	<u>1,315,145</u>

The bank overdraft is guaranteed by Martin Gruppen A/S. All amounts owing to Martin Gruppen A/S are secured by a debenture dated 5 February 1996 which includes a fixed and floating charge over all the property and assets of the company.

Notes (continued)

11 Deferred taxation

The deferred tax asset (included in debtors, note 9) is made up as follows

	2012 £	2011 £
Opening balance	17,188	137,000
Profit and loss account charge	(4,300)	(119,812)
	<u>12,888</u>	<u>17,188</u>
Closing balance	<u>12,888</u>	<u>17,188</u>
	2012 £	2011 £
Decelerated capital allowances	12,888	17,188
	<u>12,888</u>	<u>17,188</u>

The deferred tax asset has been recognised on the basis that forecasts for the company show a reasonable expectation that profits will arise against which this asset will reverse

12 Pension and other post-retirement benefit commitments

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are negotiated individually with the relevant employee. At the year end contributions amounting to £nil (2011 £nil) were unpaid.

	2012 £	2011 £
Contributions payable by the company for the year	17,716	14,431
	<u>17,716</u>	<u>14,431</u>

13 Share capital

	2012 £	2011 £
<i>Allotted, called up and fully paid</i>		
3,000,000 Ordinary shares of £1 each	3,000,000	3,000,000
	<u>3,000,000</u>	<u>3,000,000</u>

Notes (continued)

14 Reserves

	Share premium account £	Profit and loss account £
Opening balance	1,750,000	(1,538,519)
Profit for the year	-	8,345
Balance at 31 December 2012	1,750,000	(1,530,174)

15 Reconciliation of movement in shareholders' funds

	2012 £	2011 £
Profit for the financial year	8,345	456,308
Opening shareholders' funds	3,211,481	2,755,173
Closing shareholders' funds	3,219,826	3,211,481

16 Financial commitments

At 31 December 2012, the company was committed to making the following annual payments under non-cancellable operating leases

	Land and buildings 2012 £	2011 £	Other 2012 £	2011 £
<i>Operating leases which expire</i>				
Within one year	-	-	-	1,234
In the second to fifth years inclusive	31,968	26,000	48,076	71,004
	31,968	26,000	48,076	72,238

17 Directors' emoluments

	2012 £	2011 £
Emoluments for qualifying services	-	-
Company pension contributions to money purchase schemes	-	-
	-	-

The number of directors for whom retirement benefits are accruing under money purchase pension schemes is nil (2011 nil)

The emoluments paid to the directors who are also directors of the parent undertaking are disclosed in the financial statements of Martin Professional A/S, as it is not practicable to allocate these emoluments between services to this company and services to other group companies

Notes (continued)

18 Employees

	2012 £	2011 £
<i>The average number of employees during the year was</i>		
Sales and administration	9	8
	<hr/>	<hr/>
	2012 £	2011 £
<i>Employment costs</i>		
Wages and salaries	445,518	384,385
Social security costs	36,423	50,754
Other pension costs	17,716	14,431
	<hr/>	<hr/>
	499,658	449,570
	<hr/>	<hr/>

19 Control

The directors regard Martin Professional A/S, a company incorporated and resident in Denmark, as the immediate parent company. The directors regard Aktieselskabet Schouw & Co, a company incorporated and resident in Denmark, as both the ultimate parent and controlling company. Copies of the parent company's consolidated group financial statements are available from the Administration, Martin Professional A/S, Oluf Plumes Alle 16, DK-8200 Aarhus N, Denmark and may be inspected at the company's registered office.

On 28 February 2013 the Martin Professional A/S group that the Company forms part of was purchased by HARMAN International Industries, Incorporated, a company registered in the USA.