

Martin Professional Limited

**Directors' report and financial
statements**

Registered number 02584290

30 June 2013

TUESDAY



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Directors' report

The directors present their report and the audited financial statements for the period ended 30 June 2013

Change of accounting date - During the period the company changed its accounting date from 31 December to 30 June to align with the year end of the new ultimate parent undertaking, HARMAN International Industries Inc. These financial statements therefore cover the six month period ended 30 June 2013.

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

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 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.

The half year of 2013 showed strong performance with a 31% increase in sales revenue compared to the same period in 2012 principally due to product launches and a general improvement in the market. Revenues were underpinned by the introduction of new variants of the MAC Viper and consistent sales of the MAC Aura. Sales for the period were £3,272,021 and delivered a profit before taxation of £33,781.

Future development

The outlook for 2013/14 is based around the introduction of new products. During the first half of the year we expect to maintain steady sales with minimal growth, however, during the second half the introduction of the new MAC Quantum and the consolidation of the RUSH range will contribute to a more positive result and we expect to see strong growth against budget.

Results and dividends

The results for the period are set out in the attached profit and loss account. During the period no dividends were proposed or paid (31 Dec 12 £nil).

Directors

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

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

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

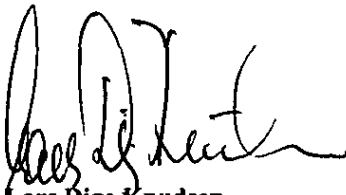
Political and charitable donations

The company made no political or charitable donations during the period (31 Dec 12 £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



Lars Dige Knudsen
Director

16 January 2014

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 period ended 30 June 2013 set out on pages 5 to 13. 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 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 30 June 2013 and of its profit for the period 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 period 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

16 January 2014

Profit and loss account
for the period ended 30 June 2013

| | <i>Note</i> | 6 months to 30 June 2013 £ | Year to 31 December 2012 £ |
|--|-------------|----------------------------------|----------------------------------|
| Turnover | 2 | 3,272,021 | 6,779,362 |
| Cost of sales | | (2,387,705) | (5,227,063) |
| Gross profit | | <u>884,316</u> | <u>1,552,299</u> |
| Distribution costs | | (98,932) | (175,938) |
| Administrative expenses | | (755,164) | (1,369,117) |
| Operating profit | 3 | <u>30,220</u> | <u>7,244</u> |
| Interest receivable and similar income | 4 | 7,024 | 29,613 |
| Interest payable and similar charges | 5 | (3,463) | (7,381) |
| Profit on ordinary activities before taxation | | <u>33,781</u> | <u>29,476</u> |
| Tax on profit on ordinary activities | 6 | (7,913) | (21,131) |
| Profit on ordinary activities after taxation | 14 | <u><u>25,868</u></u> | <u><u>8,345</u></u> |

There were no recognised gains or losses in either the current period 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

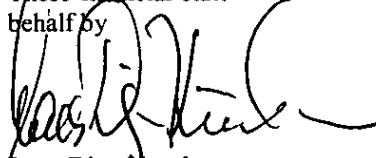
In both the current period and preceding year, the company made no material acquisitions and had no discontinued operations

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 30 June 2013

| | Note | 30 June 2013 | | 31 December 2012 | |
|---|------|--------------------|------------------|--------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Tangible assets | 7 | | - | | - |
| Current assets | | | | | |
| Stocks | 8 | 31,300 | | 118,312 | |
| Debtors | 9 | 4,878,678 | | 5,192,799 | |
| Cash at bank and in hand | | 377 | | 261 | |
| | | <u>4,910,355</u> | | <u>5,311,372</u> | |
| Creditors amounts falling due within one year | 10 | <u>(1,664,661)</u> | | <u>(2,091,546)</u> | |
| Net current assets | | | <u>3,245,694</u> | | <u>3,219,826</u> |
| Total assets less current liabilities and net assets | | | <u>3,245,694</u> | | <u>3,219,826</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 | | (1,504,306) | | (1,530,174) |
| Shareholders' funds | 15 | | <u>3,245,694</u> | | <u>3,219,826</u> |

These financial statements were approved by the board of directors on 16 January 2014 and were signed on their behalf by



Lars Dige Knudsen
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 |
|----------------------------------|--------------------|

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

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

Notes (continued)

1 Accounting policies (continued)

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 consists of sales in relation to the provision of goods and services.

| | 6 months to 30 Jun 13 £ | Year to 31 Dec 12 £ |
|----------------|-------------------------------|---------------------------|
| United Kingdom | 3,272,021 | 6,768,772 |
| Rest of Europe | - | 10,590 |
| | <u>3,272,021</u> | <u>6,779,362</u> |

3 Operating profit

| | 6 months to 30 Jun 13 £ | Year to 31 Dec 12 £ |
|--|-------------------------------|---------------------------|
| <i>Operating profit is stated after charging</i> | | |
| Operating lease rentals - Land and buildings | 21,950 | 12,959 |
| - Other assets | 50,073 | 70,053 |
| <i>Auditor's remuneration</i> | | |
| Audit of these financial statements | 9,000 | 8,550 |
| Other services relating to taxation | 2,000 | 2,175 |
| | <u> </u> | <u> </u> |

4 Interest receivable and similar income

| | 6 months to 30 Jun 13 £ | Year to 31 Dec 12 £ |
|---|-------------------------------|---------------------------|
| Interest received on amounts due from group companies | 7,024 | 29,613 |
| | <u> </u> | <u> </u> |

Notes (continued)

5 Interest payable and similar charges

| | 6 months to 30 Jun 13 £ | Year to 31 Dec 12 £ |
|------------------------------|-------------------------------|---------------------------|
| On bank loans and overdrafts | 3,463 | 7,381 |

6 Taxation

| | 6 months to 30 Jun 13 £ | Year to 31 Dec 12 £ |
|--|-------------------------------|---------------------------|
| <i>Domestic current year tax</i> | | |
| UK corporation tax | 6,753 | 16,831 |
| <i>Deferred tax (note 11)</i> | | |
| Origination and reversal of timing differences | 1,160 | 4,300 |
| Total deferred tax | 1,160 | 4,300 |
| Total tax charge | 7,913 | 21,131 |

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (31 Dec 12 higher) than the standard rate of corporation tax in the UK of 23.5% (31 Dec 12 24.5%). The differences are explained below

| | 6 months to 30 Jun 13 £ | Year to 31 Dec 12 £ |
|--|-------------------------------|---------------------------|
| Profit on ordinary activities before taxation | 33,781 | 29,476 |
| Tax using the UK corporation tax rate of 23.5% (31 Dec 12 24.5%) | 7,938 | 7,222 |
| <i>Effects of</i> | | |
| Non deductible expenses | - | 12,725 |
| Capital allowances in excess of depreciation | (1,185) | (3,300) |
| Other tax adjustments | - | 184 |
| Current tax charge | 6,753 | 16,831 |

Notes (continued)

6 Taxation (continued)

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 30 June 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

On 3 July 2013, the planned reductions in the rate to 21% by 1 April 2014 and 20% by 1 April 2015 were substantively enacted. 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 2013 and 30 June 2013 | 142,235 |
| <i>Accumulated depreciation</i> | |
| At 1 January 2013 and 30 June 2013 | 142,235 |
| <i>Net book value</i> | |
| At 30 June 2013 | - |
| At 31 December 2012 | - |

The cost of assets held for leasing under operating leases included within fixtures, fittings and equipment above at 30 June 2013 amounted to £142,235 (31 Dec 12 £142,235). The accumulated depreciation relating to those assets as at 30 June 2013 amounted to £142,235 (31 Dec 12 £142,235).

8 Stocks

| | 30 Jun 13 £ | 31 Dec 12 £ |
|-------------------------------------|------------------------|------------------------|
| Finished goods and goods for resale | 31,300 | 118,312 |

Notes (continued)

9 Debtors

| | 30 Jun 13 | 31 Dec 12 |
|---|------------------|------------------|
| | £ | £ |
| Trade debtors | 1,252,299 | 1,253,286 |
| Amounts owed by parent and fellow subsidiary undertakings | 3,554,658 | 3,896,875 |
| Prepayments and accrued income | 33,721 | 22,932 |
| Deferred tax asset (note 11) | 11,728 | 12,888 |
| Other debtors | 19,454 | - |
| Deposits | 6,818 | 6,818 |
| | <u>4,878,678</u> | <u>5,192,799</u> |

10 Creditors: amounts falling due within one year

| | 30 Jun 13 | 31 Dec 12 |
|---|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 273,221 | 257,195 |
| Trade creditors | 8,154 | 29,853 |
| Amounts owed to parent and fellow subsidiary undertakings | 875,030 | 1,260,244 |
| Corporation tax | 6,753 | 16,831 |
| Taxes and social security | 380,407 | 432,165 |
| Accruals and deferred income | 121,096 | 95,258 |
| | <u>1,664,661</u> | <u>2,091,546</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.

11 Deferred taxation

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

| | 30 Jun 13 | 31 Dec 12 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Opening balance | 12,888 | 17,188 |
| Profit and loss account charge | (1,160) | (4,300) |
| | <u>11,728</u> | <u>12,888</u> |
| Closing balance | <u>11,728</u> | <u>12,888</u> |
| | <u>30 Jun 13</u> | <u>31 Dec 12</u> |
| | £ | £ |
| Decelerated capital allowances | 11,728 | 12,888 |
| | <u>11,728</u> | <u>12,888</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.

Notes (continued)

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 period end contributions amounting to £nil (31 Dec 12 £nil) were unpaid.

| | 30 Jun 13 £ | 31 Dec 12 £ |
|---|----------------|----------------|
| Contributions payable by the company for the period | 7,406 | 17,716 |

13 Share capital

Allotted, called up and fully paid
3,000,000 Ordinary shares of £1 each

| | 30 Jun 13 £ | 31 Dec 12 £ |
|--|----------------|----------------|
| | 3,000,000 | 3,000,000 |

14 Reserves

| | Share premium account £ | Profit and loss account £ |
|--------------------------------|----------------------------------|---------------------------------|
| Opening balance | 1,750,000 | (1,530,174) |
| Profit for the period | - | 25,868 |
| Balance at 30 June 2013 | 1,750,000 | (1,504,306) |

15 Reconciliation of movement in shareholders' funds

| | 30 Jun 13 £ | 31 Dec 12 £ |
|------------------------------------|------------------|------------------|
| Profit for the financial period | 25,868 | 8,345 |
| Opening shareholders' funds | 3,219,826 | 3,211,481 |
| Closing shareholders' funds | 3,245,694 | 3,219,826 |

Notes (continued)

16 Financial commitments

At 30 June 2013, the company was committed to making the following annual payments under non-cancellable operating leases

| | Land and buildings | | Other | |
|--|----------------------|----------------------|----------------------|----------------------|
| | 30 Jun 13 | 31 Dec 12 | 30 Jun 13 | 31 Dec 12 |
| | £ | £ | £ | £ |
| <i>Operating leases which expire</i> | | | | |
| Within one year | - | - | - | - |
| In the second to fifth years inclusive | 31,968 | 31,968 | 59,226 | 48,076 |
| | <u>31,968</u> | <u>31,968</u> | <u>59,226</u> | <u>48,076</u> |
| | <u><u>31,968</u></u> | <u><u>31,968</u></u> | <u><u>59,226</u></u> | <u><u>48,076</u></u> |

17 Directors' emoluments

The emoluments paid to the directors who are also directors of the parent undertaking are borne by and 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

The number of directors for whom retirement benefits are accruing under money purchase pension schemes is nil (31 Dec 12 nil)

18 Employees

| | 30 Jun 13 | 31 Dec 12 |
|--|-----------------------|-----------------------|
| | £ | £ |
| <i>The average number of employees during the period was</i> | | |
| Sales and administration | 8 | 9 |
| | <u>8</u> | <u>9</u> |
| | <u><u>8</u></u> | <u><u>9</u></u> |
| | | |
| | 30 Jun 13 | 31 Dec 12 |
| | £ | £ |
| <i>Employment costs</i> | | |
| Wages and salaries | 223,932 | 445,518 |
| Social security costs | 28,295 | 36,423 |
| Other pension costs | 7,406 | 17,716 |
| | <u>259,633</u> | <u>499,658</u> |
| | <u><u>259,633</u></u> | <u><u>499,658</u></u> |

19 Control

As at 30 June 2013 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.



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