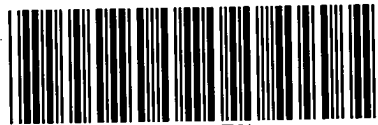


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REGISTERED NUMBER: 04939970

**REPORT OF THE DIRECTORS AND
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 JULY 2014
FOR
AUDIOGRAVITY HOLDINGS LIMITED**

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FOR THE YEAR ENDED 31 JULY 2014**

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AUDIOGRAVITY HOLDINGS LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 JULY 2014**

DIRECTORS:

R M Emslie
B S Emslie
D I Herman

REGISTERED OFFICE:

Sussex Innovation Centre
Science Park Square
Falmer
Brighton
East Sussex
BN1 9SB

REGISTERED NUMBER:

04939970

ACCOUNTANTS:

Hilton Sharp & Clarke
Chartered Accountants
30 New Road
Brighton
East Sussex
BN1 1BN

**CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 31 JULY 2014**

Dear Shareholder

In association with the publication of the unaudited consolidated financial statements for the year ending 31 July 2014, I take this opportunity to provide you with a business update on the progress being made by the Group.

AudioGravity has been working with large target consumer electronics companies in Asia and the United States, all of whom confirm that wind noise interference remains an ineffectively addressed problem and are impressed with the performance that we have measured that our technology can achieve. Customer feedback has highlighted the need to simplify the implementation of our wind noise rejection solution for ease of manufacture, and integration into their products.

As a result, utilizing AudioGravity's considerable know-how accrued to date in the field of wind noise rejection, a new physical solution has been developed which overcomes all known customer implementation concerns. The new AudioGravity solution provides 10-20dBV wind noise improvement with no frequency anomalies over the frequency range, and maintains sound fidelity. Unlike the previous dual microphone solutions, the new technology requires no software processing, no additional electronics and is suitable for both stereo and mono applications using either the customer's ECM or MEMS microphones.

Prior to introducing our new Intellectual Property to customers a rigorous review of existing IP has been conducted and an additional new patent has been filed and added to our portfolio.

The Board is very encouraged with the initial customer reaction to our new technological solution and is now keen to invest to accelerate the business development activity and commercialization.

The AudioGravity website has now been refreshed to focus on the new development and includes a new demonstration video which shareholders may wish to view.

Sales representatives especially in Asia are actively being selected and will be appointed

AudioGravity has endeavored to keep staff costs to a minimum during the development stage of the business using an outsourced model for external engineering. As the business potential develops the Board is considering adding additional engineering and support staff.

FINANCIALS AND FUNDRAISING

Revenue for the year ended 31 July 2014 was nil compared with £12,373 for the previous year with administration expenses increasing by less than 3% to £167,557 (2013: £163,141). As a result the operating loss increased to £167,557 (2013: £150,768).

The cash balance at year-end was £42,425 (2013: £20,086) and reflects the loss for the year offset by the additional cash generated by way of the issue of new ordinary shares during the year.

The Board continues to monitor the cash position of the Group and will be initiating a fundraising in the spring of 2015 in order to accelerate the introduction and commercialization of our new physical technology solution.

The Board believes that significant technical progress has now been made which meets the needs of customers and that the new technology has significant potential value in a very substantial market.

David Herman
Chief Executive Officer
27th March 2015

AUDIOGRAVITY HOLDINGS LIMITED

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 JULY 2014**

The directors present their report with the financial statements of the company for the year ended 31 July 2014.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 August 2013 to the date of this report

R M Emslie
B S Emslie
D I Herman

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:



B S Emslie - Director

Date: 30/5/2015

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 JULY 2014

	Notes	2014 £	2013 £
TURNOVER		-	12,373
Administrative expenses		<u>167,557</u>	<u>163,141</u>
OPERATING LOSS and LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	(167,557)	(150,768)
Tax on loss on ordinary activities	3	-	-
LOSS FOR THE FINANCIAL YEAR FOR THE GROUP		<u>(167,557)</u>	<u>(150,768)</u>

CONSOLIDATED BALANCE SHEET
31 JULY 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Intangible assets	5	168,530	149,355
Tangible assets	6	8,832	605
Investments	7	-	-
		<u>177,362</u>	<u>149,960</u>
CURRENT ASSETS			
Debtors	8	14,389	5,401
Cash at bank		<u>42,425</u>	<u>20,086</u>
		56,814	25,487
CREDITORS			
Amounts falling due within one year	9	<u>35,943</u>	<u>9,657</u>
NET CURRENT ASSETS		<u>20,871</u>	<u>15,830</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>198,233</u>	<u>165,790</u>
CAPITAL AND RESERVES			
Called up share capital	11	763	713
Share premium	12	1,969,941	1,769,991
Profit and loss account	12	<u>(1,772,471)</u>	<u>(1,604,914)</u>
SHAREHOLDERS' FUNDS		<u>198,233</u>	<u>165,790</u>

The company and the group are entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 July 2014.

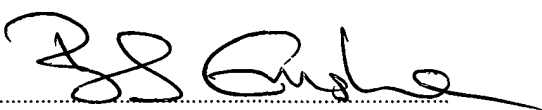
The members have not required the group to obtain an audit of its financial statements for the year ended 31 July 2014 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the group keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company and the group as at the end of each financial year and of the group's profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company and the group.

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 26/3/2015 and were signed on its behalf by:


 B S Emslie - Director

COMPANY BALANCE SHEET
31 JULY 2014

	Notes	2014 £	2013 £
FIXED ASSETS			
Intangible assets	5	-	-
Tangible assets	6	-	-
Investments	7	<u>120</u>	<u>120</u>
		120	120
CURRENT ASSETS			
Debtors	8	1,183,056	1,087,056
Cash at bank		<u>39,031</u>	<u>19,886</u>
		1,222,087	1,106,942
CREDITORS			
Amounts falling due within one year	9	<u>6,991</u>	<u>6,218</u>
NET CURRENT ASSETS		<u>1,215,096</u>	<u>1,100,724</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,215,216	1,100,844
PROVISIONS FOR LIABILITIES	10	<u>1,183,056</u>	<u>935,000</u>
NET ASSETS		<u>32,160</u>	<u>165,844</u>
CAPITAL AND RESERVES			
Called up share capital	11	763	713
Share premium	12	1,969,941	1,769,991
Profit and loss account	12	<u>(1,938,544)</u>	<u>(1,604,860)</u>
SHAREHOLDERS' FUNDS		<u>32,160</u>	<u>165,844</u>

The company is entitled to exemption from audit under Section 477 of the Companies Act 2006 for the year ended 31 July 2014.

The members have not required the company to obtain an audit of its financial statements for the year ended 31 July 2014 in accordance with Section 476 of the Companies Act 2006.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Sections 386 and 387 of the Companies Act 2006 and
- (b) preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the Board of Directors on 26/3/2015 and were signed on its behalf by:



B S Emslie - Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2014

4. LOSS OF PARENT COMPANY

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was £(333,684) (2013 - £(145,781)).

5. INTANGIBLE FIXED ASSETS

Group

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 August 2013	49,461	202,617	252,078
Additions	-	30,079	30,079
At 31 July 2014	49,461	232,696	282,157
AMORTISATION			
At 1 August 2013	49,461	53,262	102,723
Amortisation for year	-	10,904	10,904
At 31 July 2014	49,461	64,166	113,627
NET BOOK VALUE			
At 31 July 2014	-	168,530	168,530
At 31 July 2013	-	149,355	149,355

6. TANGIBLE FIXED ASSETS

Group

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 August 2013	-	9,932	9,932
Additions	8,155	450	8,605
At 31 July 2014	8,155	10,382	18,537
DEPRECIATION			
At 1 August 2013	-	9,327	9,327
Charge for year	-	378	378
At 31 July 2014	-	9,705	9,705
NET BOOK VALUE			
At 31 July 2014	8,155	677	8,832
At 31 July 2013	-	605	605

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2014

7. FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £
COST	
At 1 August 2013 and 31 July 2014	<u>120</u>
NET BOOK VALUE	
At 31 July 2014	<u>120</u>
At 31 July 2013	<u>120</u>

The group or the company's investments at the balance sheet date in the share capital of companies include the following:

Subsidiary

AudioGravity Limited

Nature of business: Research and development

	% holding	2014 £	2013 £
Class of shares:			
Ordinary	100.00		
Aggregate capital and reserves		(1,016,863)	(934,934)
Loss for the year		<u>(81,929)</u>	<u>(59,028)</u>

8. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Amounts owed by group undertakings	-	-	1,183,056	1,087,056
Other debtors	<u>14,389</u>	<u>5,401</u>	<u>-</u>	<u>-</u>
	<u>14,389</u>	<u>5,401</u>	<u>1,183,056</u>	<u>1,087,056</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade creditors	27,430	2,075	-	-
Taxation and social security	2,086	2,218	2,086	2,218
Other creditors	<u>6,427</u>	<u>5,364</u>	<u>4,905</u>	<u>4,000</u>
	<u>35,943</u>	<u>9,657</u>	<u>6,991</u>	<u>6,218</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2014

10. PROVISIONS FOR LIABILITIES

	Company	
	2014	2013
	£	£
Other provisions	<u>1,183,056</u>	<u>935,000</u>
Aggregate amounts	<u>1,183,056</u>	<u>935,000</u>
Company		Other provisions
		£
Balance at 1 August 2013		935,000
Provided during year		<u>248,056</u>
Balance at 31 July 2014		<u>1,183,056</u>

11. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:		Nominal value:	2014	2013
Number:	Class:		£	£
76,312	Ordinary	1p	<u>763</u>	<u>713</u>

5,000 Ordinary shares of 1p each were allotted as fully paid at a premium of £39.99 per share during the year.

The following share options are outstanding:

Date granted	Number of shares	Price	Exercisable between
15 March 2010	775	£25	15 March 2013 and 14 March 2017
30 April 2010	1,808	£25	30 April 2013 and 29 April 2017

At the date of this report none of the options had been exercised.

12. RESERVES

Group	Profit and loss account £	Share premium £	Totals £
At 1 August 2013	(1,604,914)	1,769,991	165,077
Deficit for the year	(167,557)		(167,557)
Cash share issue	-	<u>199,950</u>	<u>199,950</u>
At 31 July 2014	<u>(1,772,471)</u>	<u>1,969,941</u>	<u>197,470</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 JULY 2014

12. RESERVES - continued

Company

	Profit and loss account £	Share premium £	Totals £
At 1 August 2013	(1,604,860)	1,769,991	165,131
Deficit for the year	(333,684)		(333,684)
Cash share issue	-	199,950	199,950
At 31 July 2014	<u>(1,938,544)</u>	<u>1,969,941</u>	<u>31,397</u>

13. RELATED PARTY DISCLOSURES

The company has taken advantage of exemption, under the terms of Financial Reporting Standard 8 Related Party Disclosures, not to disclose related party transactions with wholly owned subsidiaries within the group.

Transactions between group entities which have been eliminated on consolidation are not disclosed within the financial statements.

During the year the company paid consultancy fees of £8,000 (2013: £8,000) to a company controlled by BS Emslie, and a salary of £11,000 (2013: £11,000) to the wife of DI Herman.